STATE OF SOUTH CAROLINA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

FRONT COVER

Daufuskie Island in the South Carolina Lowcountry
Cover photo by Perry Baker/S.C. Department of Parks, Recreation and Tourism; layout provided by the S.C. Comptroller General's Office

STATE OF SOUTH CAROLINA

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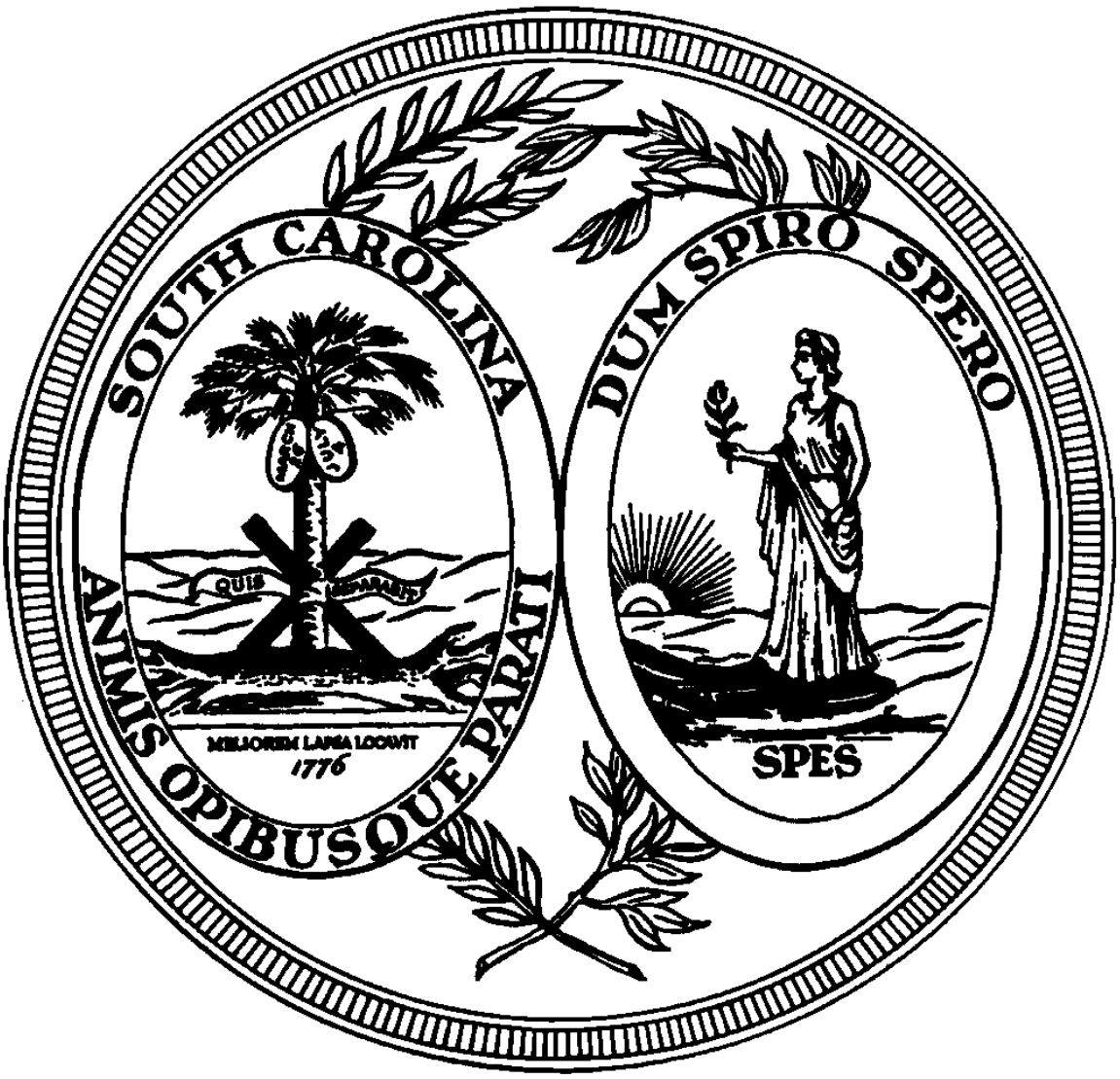
FOR THE FISCAL YEAR ENDED JUNE 30,

2014

Prepared by the Comptroller General's Office


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
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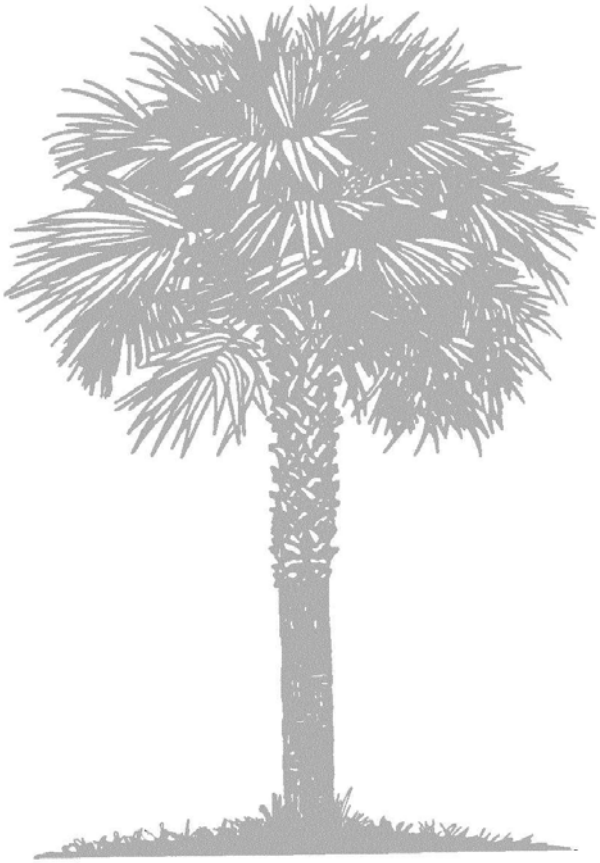
Introductory Section



Letter of Transmittal
Certificate of Achievement
Principal State Officials
Organizational Chart

State of South Carolina
Office of Comptroller General

1200 Senate Street
305 Wade Hampton Office Building
Columbia, South Carolina 29201

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RICHARD ECKSTROM, CPA
COMPTROLLER GENERAL

WILLIAM E. GUNN
CHIEF OF STAFF

December 22, 2014

To the Citizens, Governor and Members of the South Carolina General Assembly

I am pleased to present to the citizens of South Carolina this Comprehensive Annual Financial Report for the State of South Carolina for the fiscal year ended June 30, 2014. The report provides financial information about the State's operations during the year and describes its financial position at the end of the year.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal controls that was established for this purpose. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

The State Auditor and CliftonLarsonAllen LLP, an independent certified public accounting firm, jointly performed an independent audit of the State's basic financial statements for the fiscal year ended June 30, 2014. The auditors have issued an unmodified opinion, the most favorable outcome of the audit process.

This letter of transmittal is designed to complement management's discussion and analysis that immediately follows the report of the independent auditors.

PROFILE OF THE GOVERNMENT

South Carolina extends from the Atlantic Ocean westward to the Blue Ridge Mountains, containing over 30,000 square miles. Fortieth in geographic area among the fifty states, South Carolina ranks twenty-fourth in population with approximately 4.7 million citizens. According to the U.S. Census Bureau, the State's rate of population growth is presently the fourteenth fastest in the nation.

As shown in the organizational chart on page 15, State government is divided into three separate branches: legislative, executive, and judicial. The State's citizens elect the legislative and executive branch officials. The General Assembly elects certain members of the judicial branch, including the Supreme Court. The principal State officials currently in office are listed on page 14.

State government provides a full range of services to South Carolina's citizens including educational, health, social/human, transportation, public safety, regulatory, and conservation/natural resources services. In addition, the State provides funds, grants, and loans to assist local governments, including school districts.

The State's reporting entity includes the primary government and its component units. The primary government includes all funds, departments, agencies, and institutions. The State's component units are legally separate organizations for which the State is accountable for purposes of financial reporting. The Management's Discussion and Analysis (MD&A) and the Basic Financial Statements focus on the activities of the primary government.

Additional information on the State's component units can be found in the notes to the financial statements and in the separately issued financial statements of those organizations.

South Carolina's annual Appropriations Act includes legally adopted budgets for the Budgetary General Fund and for Total Funds. The initial budget appears in the annual Appropriations Act. After the budget year begins, the State Budget and Control Board, composed of five key executive and legislative officials, may order spending cuts if revenue collections fall short of predicted levels. Departments and agencies may request transfers of appropriations between programs if the transfer request does not exceed 20% of the program budget. The Budget and Control Board has the authority to approve additional requested transfers of appropriations between personal services and other operating expenditure accounts. For additional information, see the notes to the required supplementary information - budgetary.

STATE ECONOMY

South Carolina has a diversified economic base, including manufacturing, trade, healthcare, services, and leisure/hospitality. Businesses have relocated here from all over the world taking advantage of the State's skilled labor force, competitive wages, lower-priced land, excellent port facilities and accessibility to markets, and, in recent years, substantial tax and other economic incentives.

Businesses continue to choose South Carolina as a place to locate or expand, and the State of South Carolina is committed to working with employers to meet their workforce needs through state-supported workforce development initiatives.

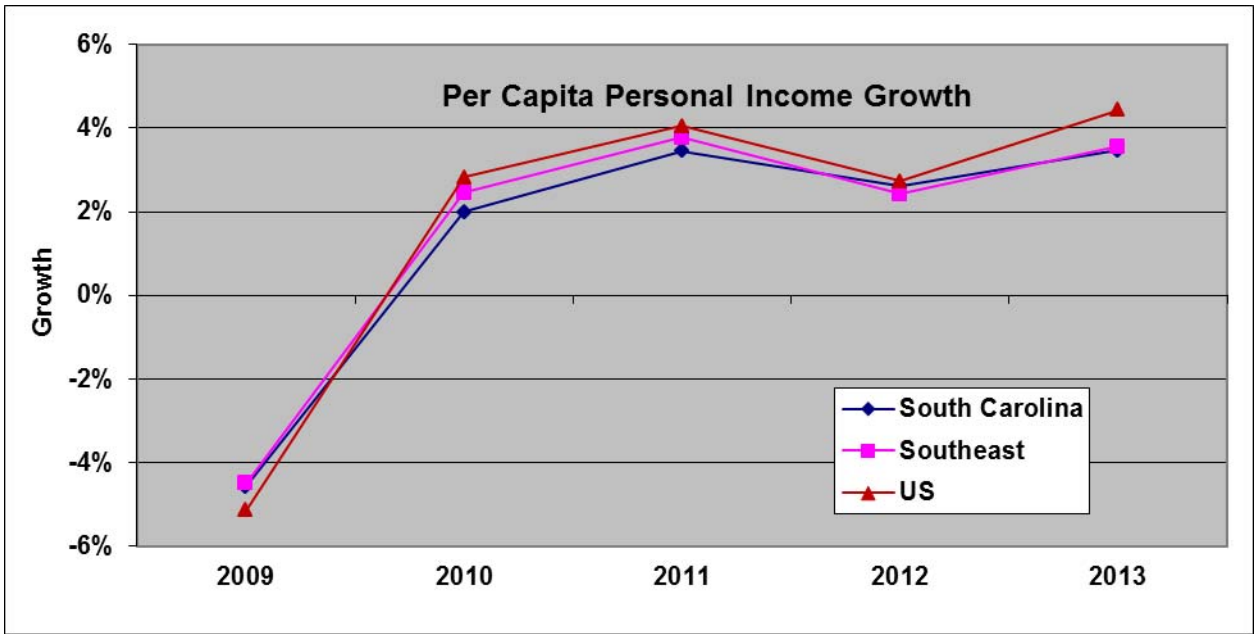
During the year ended June 30, 2014, total non-farm employment in the state increased by 42,400 to 1,933,000. Industry sectors reflecting gains were Professional and Business Services (+11,000); Leisure and Hospitality (+7,800); Manufacturing (+7,800); Education and Health Services (+7,100); Trade, Transportation, and Utilities (+5,500); Government (+2,200); Construction (+1,300); Information (+600); Other (+300). A decline was experienced in the Financial Activities (-1,200), and Mining and Logging remained unchanged.

South Carolina's unemployment rate decreased to 5.3% in June 2014 (and increased to 6.7% in October 2014), which was well below the June 2013 rate of 7.8%. In comparison, the U.S. unemployment rate for June 2014 was 6.1% (and decreased to 5.8% in October 2014).

After four consecutive months of positive movement, the South Carolina Leading Index (SCLI) dipped 0.11 points in June 2014 to 101.38. Above the 100 mark, the SCLI forecasts improving economic conditions for South Carolina over the upcoming three to six months. Several factors led to the decline of the SCLI in June, including an increase in initial claims for Unemployment Insurance for the month, a 2.7 percent drop in building permits for new residential construction, and a 0.2 percent decline in the duration of the average manufacturing workweek. Gains in the stock market helped moderate the SCLI's dip in June. The SCLI closed the month of September 2014 at 101.54, the most current month available.

The number of real estate closings in June 2014, up 1.6 percent compared to a year ago, and the declining number of foreclosures in the state, down 22.5 percent in June 2014 compared to June 2013, have reduced the supply of available homes on the market. As inventory tightens, real estate values in South Carolina have gained ground. Residential building permits compared to a year ago are up 18.9 percent in volume and 18.8 percent in valuation.

The South Carolina housing market continued to improve, with the Charleston and Spartanburg housing markets continuing to lead the state in recovery. Median home prices were 6 percent higher when comparing June 2014 to June 2013. Improvements in the Columbia and Myrtle Beach areas also helped push the statewide sales volume up with a 5 percent increase in their respective median sales prices even with a decline of 4 percent in sales volumes compared to last year.



LONG-TERM FINANCIAL PLANNING

State law requires agencies that receive 1.0% or more of the total annual General Fund appropriations to provide an estimate of their General Fund expenditures for the next three fiscal years. The State Budget Office combines these expenditure estimates with long-term revenue estimates made by the State's Board of Economic Advisors (BEA) to create a three-year financial plan. The three-year financial plan assists the State in strategically assessing its future financial commitments. The plan is updated annually and provided to the State's Budget and Control Board, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate during the second quarter of each fiscal year.

Significant financial challenges facing state government include anticipated future spending increases for Medicaid, State retirement and post-retirement health benefits, and elementary and secondary education.

The State's long-term financial management practices include a five–year capital improvement plan that requires funding to be in place before beginning construction on any capital improvement projects.

RELEVANT FINANCIAL POLICIES

The State's legislature is required to adopt a balanced budget annually based on revenue projections provided by the BEA. State law requires the BEA to meet at least quarterly to review how actual revenue collections compare with its earlier projections and to adjust its projections if necessary. If the BEA reduces revenue projections significantly once the budget year begins, the State's Budget and Control Board (Board) is responsible for taking appropriate action to keep the State's budget in balance. If the Board anticipates a year-end operating deficit as a result of the BEA reducing its revenue projections during the year, it must reduce most agency appropriations evenly across-the-board. The State is also required to maintain a 4.5% General Reserve Fund (the required level increases to 5.0% in 2015) that can be used only for eliminating a year-end operating deficit. If the State's budgetary General Fund subsequently experiences a year-end operating deficit even after applying all the actions described above, the Board is required to meet within sixty days of August 31 to adopt a plan to eliminate the deficit and restore a balanced budget. Additionally, the State is required to annually fund a 2% Capital Reserve to be used for capital improvements, debt retirement, or other nonrecurring purposes appropriated by the General Assembly. The foregoing percentages are multiplied against total General Fund revenues for the latest completed fiscal year.

Legislation also exists directing that in closing the books each year the Comptroller General shall suspend, to the extent necessary, any budgetary surplus appropriations in a general or supplemental act or Capital Reserve Fund appropriations if the State's Generally Accepted Accounting Principles-basis General Fund reports a negative unrestricted, unassigned fund balance.

The State ended fiscal year 2014 with a positive General Fund fund balance of $1.163 billion, which was made up of legislatively approved agency carryover appropriations of $489.877 million, the General Reserve of $292.889 million, the Capital Reserve of $117.156 million, the Contingency Reserve of $68.370 million, and unassigned surplus of $194.982 million.

MAJOR INITIATIVES

In accordance with the *Restructuring Act of 2014*, effective July 1, 2014, the State Budget Division was eliminated and its functions divided among two newly created offices: the Executive Budget Office and the Revenue and Fiscal Affairs Office.

The Executive Budget Office is a stand-alone agency reporting to the Governor's Office. It now performs many of the former Budget Division's responsibilities, including development and oversight of the process for preparing the annual state budget. Beginning July 1, 2015, the Executive Budget Office will become a component of the new Department of Administration.

The Revenue and Fiscal Affairs Office consists of the Division of Research and Statistics and Board of Economic Advisors. The director of the State Budget Division now works within the Revenue and Fiscal Affairs Office. Functions of the Revenue and Fiscal Affairs Office include preparing fiscal and revenue impact statements on proposed legislation and assisting the General Assembly and the House Ways and Means and Senate Finance Committees in the development of the annual general appropriations act.

The State also continues to fund programs related to job creation. In fiscal year 2014, the State committed $37.8 million to the South Carolina Coordinating Council on Economic Development and the State's Rural Infrastructure Authority for a land purchase and site development, which helped to attract Giti, the world's tenth largest tire maker to Chester County, South Carolina. It is anticipated that 1,700 jobs will be created from this deal. Additionally, the State has recently attracted two other large companies, Lash Group and LPL Financial to Fort Mill, South Carolina. These moves are expected to create up to 5,400 jobs in the coming years.

South Carolina's job recruitment and capital investment from manufacturers have experienced steady growth since the end of the Great Recession. In 2013 alone, the state attracted more than $5.4 billion in new capital investment from manufacturing companies, which resulted in the creation of more than 15,457 jobs.

South Carolina consistently ranks high on Site Selection magazine's "Top State Business Climate Rankings". The state ranked 7th overall in the most recently released 2013 survey. South Carolina scored high with business executives surveyed by Site Selection, ranking 2nd, only behind Texas.

South Carolina's Growing Economic Environment

Over the last several years, South Carolina has continued to demonstrate its ability to facilitate expanded economic opportunities for citizens. Manufacturing has grown substantially. South Carolina has also experienced a state-wide decrease in its unemployment rate, which has shown that even in the midst of challenging national economic conditions our state's business-friendly climate and committed workforce continue to attract investment that creates well-paying jobs.

We have seen an emerging trend of companies investing and expanding in South Carolina. Several of South Carolina's industry leaders have expanded and created high-quality jobs within the state. In 2012, the State established an Aerospace Task Force to position the state for future growth. The task force is focused on growing the aerospace supply chain for companies like Boeing and GE Turbine and supporting initiatives to assure that South Carolina has a workforce ready for the aerospace industry.

South Carolina's exports reached record levels in 2013. Exports from South Carolina increased by 4.6% from 2012 to 2013. In 2013, South Carolina's export growth ranked the state 17th in the United States. Export figures are expected to continue to increase as Boeing has begun to deliver the aircraft made in South Carolina. The State also recently established a Transportation, Distribution and Logistics (TDL) Council that includes strong private sector participation. Part of the mission of this council is to prepare South Carolina for the Panama Canal expansion, providing South Carolina with a world-class port that will have the capacity to support the expected increase in merchant shipping.

Due in part to the State's economic outreach initiatives, South Carolina's total economic output or gross domestic product (GDP) was $183.561 billion in 2013. Between 2012 and 2013, our real GDP grew 3.1%, which compares to the southeast states average growth of 3.2%.

With our cost of living 8.5% below the national average, South Carolina offers exceptionally productive employees at one of the lowest labor costs in the nation. South Carolina is a right-to-work state and in 2013

was tied with Mississippi for the third lowest unionization rate in the nation, at 3.7% of the workforce. CNBC recently ranked the South Carolina workforce sixth in the nation in terms of quality and availability of workers, as well as lower union membership and the success of state worker training programs in placing people in jobs.

The State Budget

The General Assembly approved a budget totaling $23.6 billion for fiscal year 2015, which includes $6.7 billion in recurring general funds and $127.792 million in capital reserve funds. The budget fully funds the General Reserve Fund that totals $292.889 million at June 30, 2014, and is available for management of revenue shortfalls.

The State's fiscal year 2015 budget includes $130 million for Medicaid Maintenance of Effort. Eligibility was not expanded by legislation for the State's Medicaid Program in connection with the federal "Patient Protection and Affordable Care Act" of 2010. Instead, budget legislation includes a redirection of Medicaid spending under a new comprehensive Medicaid Accountability and Quality Improvement Initiative to be undertaken by the South Carolina Department of Health and Human Services upon approval by the Centers for Medicare and Medicaid Services (CMS).

Under this initiative, the Healthy Outcomes Initiative provides financial incentives for hospitals to reduce reliance on comparatively expensive emergency room treatment and also involves participating in price and quality transparency efforts and entering into agreements with primary care providers to help meet the needs of chronically ill uninsured patients through home visits and care in other settings outside the emergency room.

An additional $10.5 million was included in the State's budget for the Department of Mental Health to address budget cuts sustained by the agency during the most recent recession. Also, $15.5 million was included for the Department of Disabilities and Special Needs for individuals with complex care needs to be transitioned out of institutional settings.

The budget devotes approximately $180 million in new funding to K-12 education for fiscal year 2015. Additional funding in the amount of $137.5 million was directed to the Education Finance Act, with $35 million to be used to address enrollment growth and an additional $54.3 million to be used to increase the base student cost from $2,100 to $2,120 per student, or 1.0%. Additionally, the budget includes a four-year-old kindergarten initiative for school districts with a poverty index of 70% or more, with the plaintiff districts in the *Abbeville School District vs. the State of South Carolina* lawsuit given preference.

K-12 instructional materials funding of $8.56 million was included in the budget and additional $18 million was devoted for school transportation for the maintenance and upkeep of the state's school bus fleet. Additionally, $29.5 million was included in the budget to provide for reading coaches in the state's elementary schools along with $4.5 million devoted to expanding summer reading camps. Also, $29.3 million was included in the State's budget for a K-12 technology initiative.

The State also provided for a 2% employee pay increase with an appropriation of $30.6 million. Increased costs for operating the state employees' health insurance plan were addressed by budgeting $57 million to cover increases in employer premiums, and by increasing employee coinsurance payments and deductibles of up to 9%. The actual health insurance premiums paid by employees were not changed.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of South Carolina for its Comprehensive Annual Financial Report (CAFR) for the fiscal year that ended June 30, 2013. This was the twenty-sixth consecutive year that the State of South Carolina achieved this recognition. In order to be awarded a Certificate of Achievement, a government must publish a timely, easily readable, and efficiently organized CAFR. The CAFR must comply with both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility to be awarded a Certificate of Achievement.

Production of the CAFR was made possible only by the support of all State agencies and component units that supplied financial data to our office on a timely basis. I extend special appreciation for the members

of my staff who devoted many of their nights and weekends over the past few months working as a team to produce this comprehensive document. I also express special appreciation for the generous sacrifices made by their families who endured the many extra hours they devoted to successfully complete this project.

Sincerely,

Richard Eckstrom, CPA
Comptroller General

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of South Carolina

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Principal State Officials

LEGISLATIVE—THE GENERAL ASSEMBLY

John Yancey McGill, President of the Senate and Lieutenant Governor
Hugh K. Leatherman, Sr., President Pro Tempore of the Senate
Robert W. Harrell, Jr.*, Speaker, House of Representatives

EXECUTIVE

STATE BUDGET AND CONTROL BOARD
Nikki R. Haley, Chairman, Governor
Curtis M. Loftis, State Treasurer
Richard Eckstrom, Comptroller General
Hugh K. Leatherman, Sr., Chairman, Senate Finance Committee
W. Brian White, Chairman, House Ways and Means Committee

John Yancey McGill, President of the Senate and Lieutenant Governor
Mark Hammond, Secretary of State
Alan Wilson, Attorney General
Mitchell M. Zais, State Superintendent of Education
Major General Robert E. Livingston, Jr, Adjutant General
Hugh E. Weathers, Commissioner of Agriculture

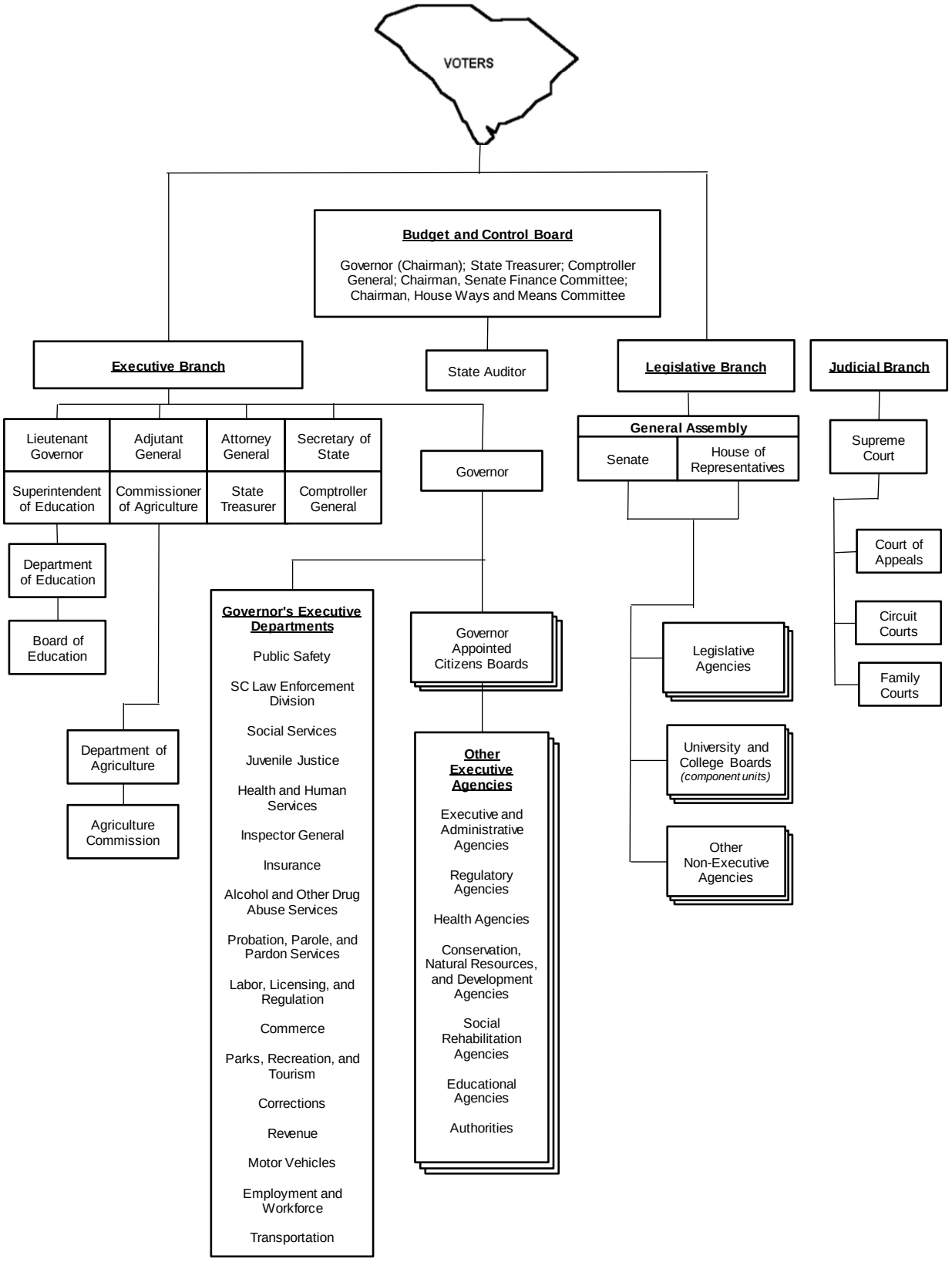
JUDICIAL

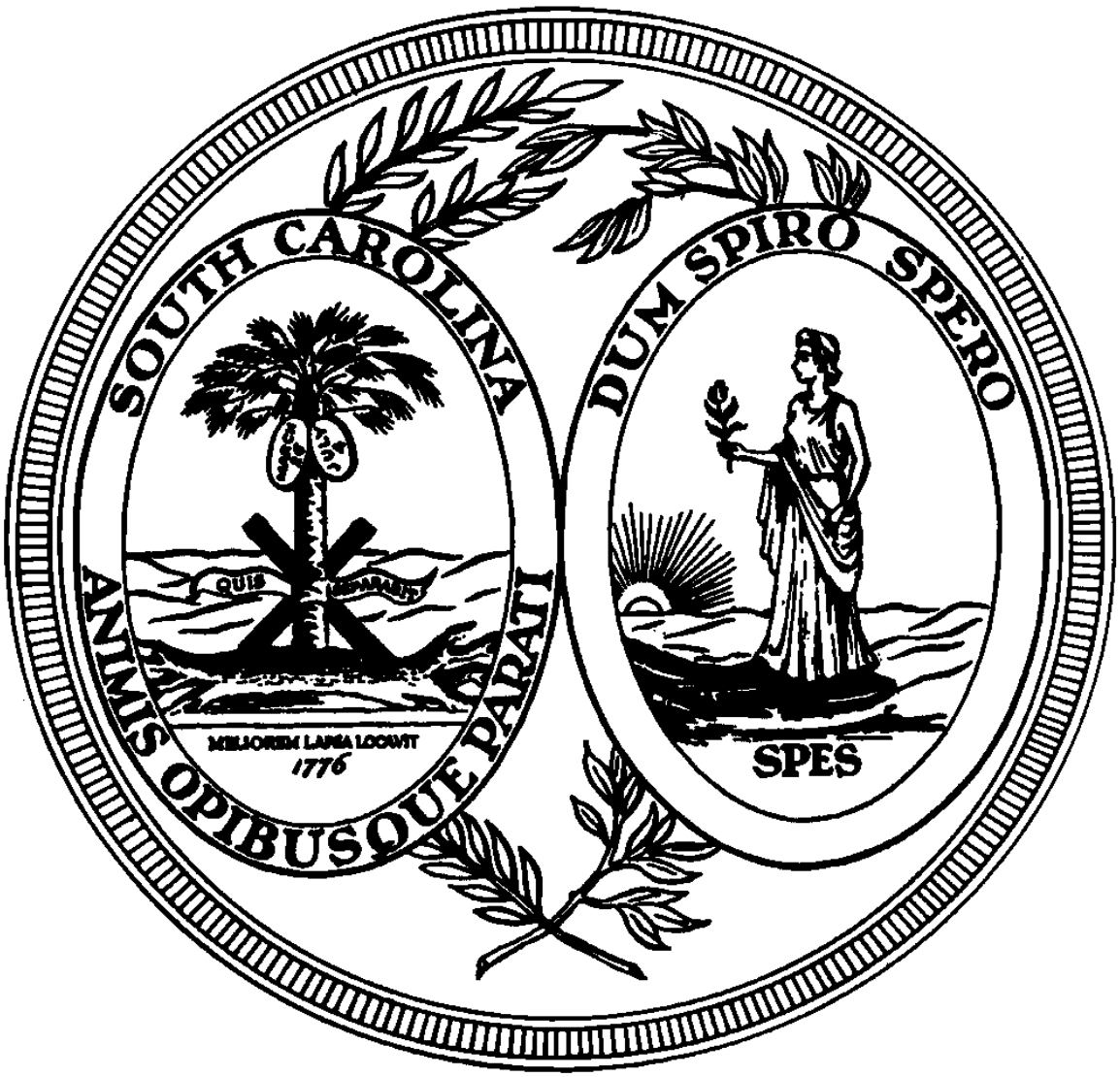
Jean H. Toal, Chief Justice, Supreme Court

The State's citizens elect the legislative and executive branch officials named above. The General Assembly elects certain members of the judicial branch, including the Supreme Court.

* - Resigned on October 24, 2014

Organizational Chart

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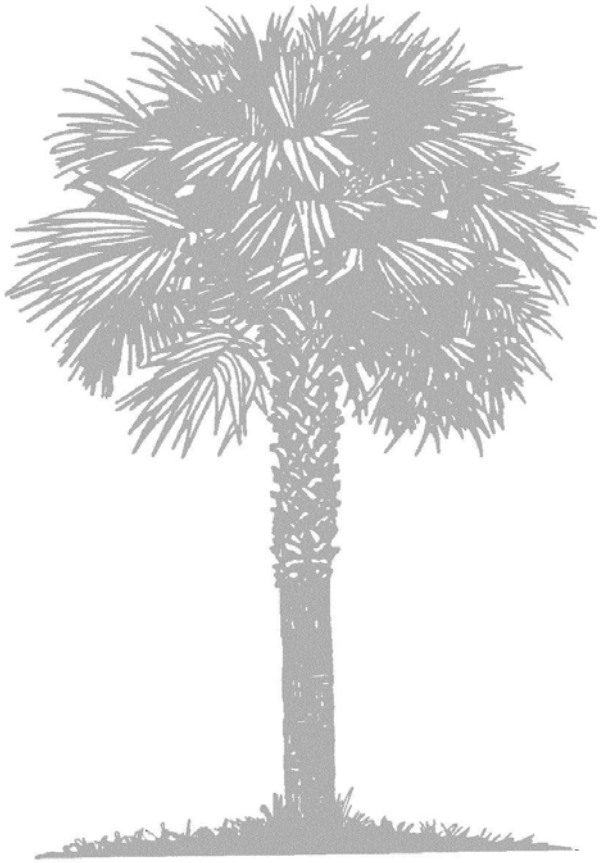
Financial Section



Independent Auditors' Report
Management's Discussion and Analysis (Unaudited)
Basic Financial Statements
Required Supplementary Information (Unaudited)
Supplementary Information

State of South Carolina

Office of the State Auditor

CliftonLarsonAllen

Independent Auditors' Report

The Honorable Nikki R. Haley, Governor
and
Members of the General Assembly
State of South Carolina
Columbia, South Carolina

Report on the Financial Statements

We have jointly audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina (the State), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to jointly express opinions on these financial statements based on our audit.

We did not jointly audit the financial statements of certain agencies and component units of the State of South Carolina, which represent the indicated percent of total assets and total revenues as presented in the table below. Those financial statements were audited by other auditors, including CliftonLarsonAllen LLP acting separately, whose reports thereon have been furnished to us, and our opinion, insofar as it related to the amounts included for those agencies and component units, is based solely on the reports of the other auditors.

	Percentage Audited by CliftonLarsonAllen LLP Separately		Percentage Audited by Other Auditors	
	Total Assets	Total Revenue	Total Assets	Total Revenue
Government-wide				
Governmental activities	2%	10%	63%	9%
Business-type activities	-	-	72%	82%
Component units	-	-	100%	100%
Fund Statements				
Governmental Funds	-	-	17%	9%
Enterprise Funds	-	-	72%	82%
Internal Service Funds	30%	88%	59%	8%
Fiduciary Funds	83%	48%	16%	52%
Discretely Presented Component Units	-	-	100%	100%

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the State Ports Authority, Public Service Authority, Connector 2000 Association, Inc., and South Carolina Medical Malpractice Liability Joint Underwriting Association, were not audited in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of South Carolina as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 2 to the financial statements, the State implemented the following pronouncements: GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66 *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62*, GASB Statement No. 67 *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25* and GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* Our opinion is not modified with respect to this matter.

Correction of Errors

As described in Note 14 to the financial statements, the State restated beginning balances resulting from the correction of accounting errors that occurred in the prior period. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of South Carolina's basic financial statements. The introductory section, supplementary information and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information, as listed in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion based on our audit, the procedures performed as described above, and the report of the auditors, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

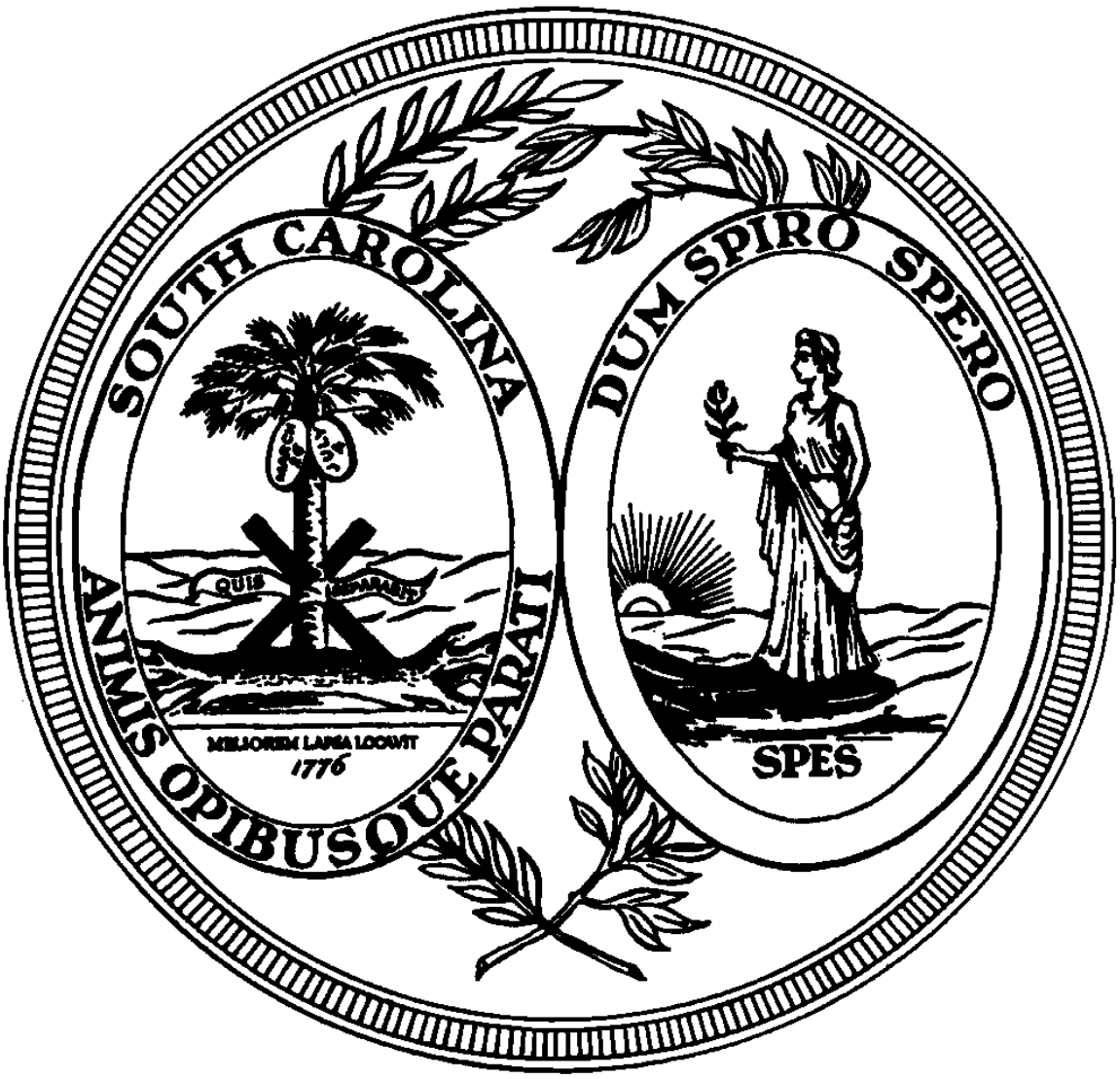
The introductory section and the statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 22, 2014 on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

Columbia, South Carolina
December 22, 2014

Baltimore, Maryland
December 22, 2014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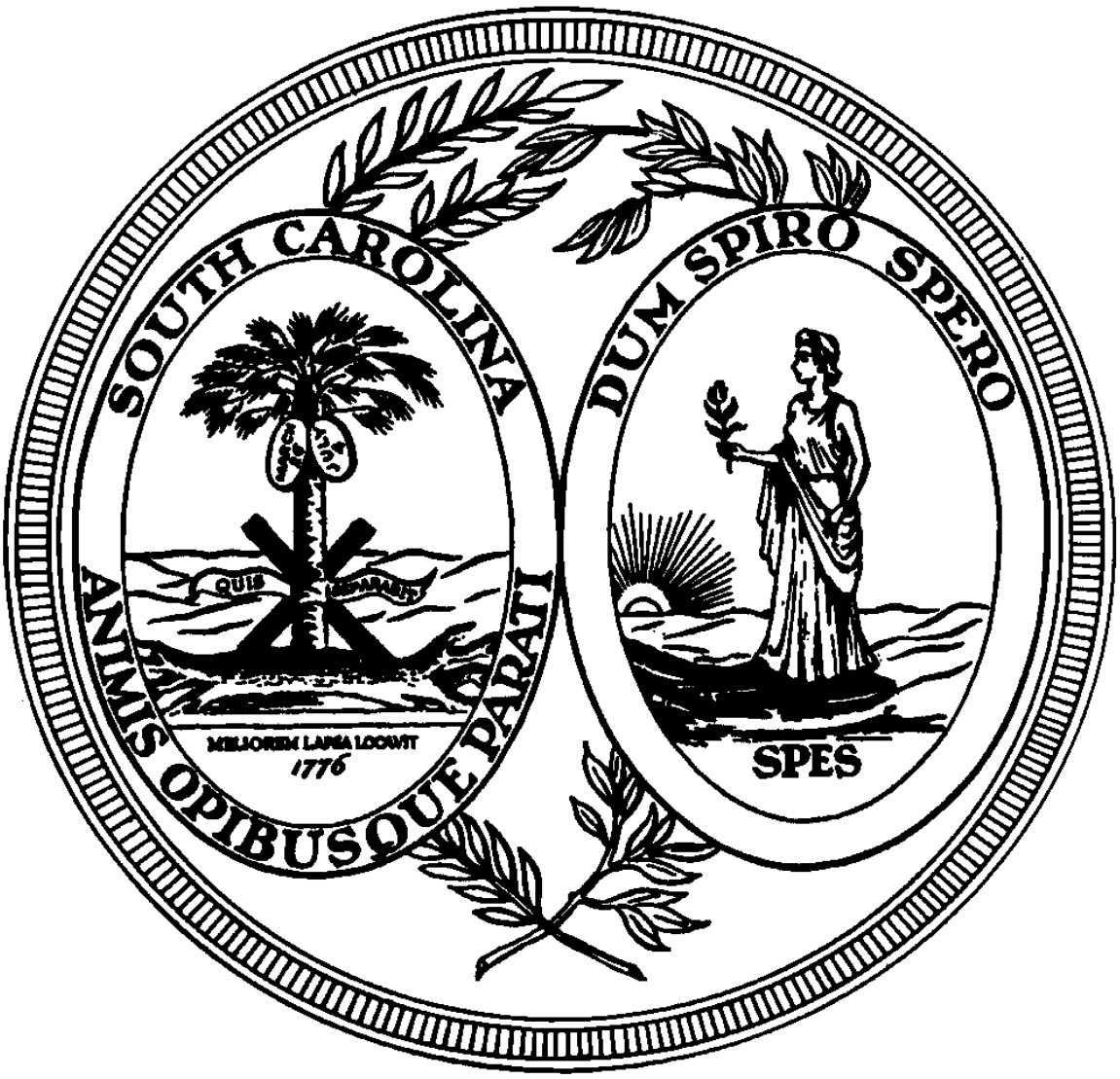
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MANAGEMENT'S DISCUSSION AND ANALYSIS—

Required Supplementary Information
(Unaudited)

Management's Discussion and Analysis

In this section of the State of South Carolina's annual report, we provide a narrative overview and analysis of the State's financial performance for its accounting year (*fiscal year*) that ended June 30, 2014. Please read it in conjunction with the Comptroller's *Letter of Transmittal* at the front of this report and the financial statements that follow this section.

Overview of the Financial Statements

This discussion and analysis provides an introduction to the State of South Carolina's basic financial statements, which include the following parts: (1) *government-wide financial statements,* (2) *fund financial statements,* (3) *component unit financial statements,* and (4) *notes to the financial statements*. This annual report also contains certain *required supplementary information* and other *supplementary information* to aid in understanding the operations of the State.

Government-wide Financial Statements

The government-wide statements present a long-term view of the State's finances *as a whole,* using *accrual-basis accounting*—the same accounting basis that most businesses use. The basic government-wide financial statements are presented on pages 38 through 41 of this report.

There are two government-wide financial statements:

Statement of net position: This statement presents information on *all* of the State's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether its financial position is improving or deteriorating. However, the statement of net position does not tell the whole story. To assess the State's overall financial health, other factors need to be considered such as the State's economy and the condition of its *capital assets* such as its buildings and infrastructure (roads and bridges).

Statement of activities: This statement presents information showing how the State's overall net position changed during the year. The State reports a change in its net position as soon as an underlying event occurs that causes a change. The statement of activities accounts for all current-year revenues and expenses, regardless of when the State received or paid cash. Although governments compile the statement of activities using accounting methods similar to businesses, the format of this statement is quite different from the format of a business's profit and loss statement. The statement of activities helps to show how much it costs for the State to provide various services. It also indicates the extent to which each government function covers its own costs through user fees, charges, or grants. The *net revenues (expenses)* column on the far right of this statement on page 40 shows how much a particular function relies on taxes and other general revenues as opposed to program revenues to support its programs.

The government-wide statements present three different kinds of *activities*:

Governmental activities: Most of the State's basic services are included here, such as general government, education, health and environment, social services, administration of justice, and transportation. Taxes (primarily income and sales taxes) and federal grants provide resources to support most of these services.

Business-type activities: These activities usually recover all, or a significant portion, of the costs of their services or goods by charging fees to customers. The Unemployment Compensation Benefits Fund and Second Injury Fund are the most significant of South Carolina's business-type activities.

Component units: Although component units are legally separate from the State, the State's elected officials are financially accountable for them. The Public Service Authority (Santee-Cooper, an electric utility company), the State Ports Authority, the State Housing Authority, Clemson University, the Medical University of South Carolina, and the University of South Carolina are the State's major component units. Some financial information for these component units is included in this report. Complete financial statements for these component units can also be obtained from their respective administrative offices (see Note 1a of the notes to the financial statements on page 70).

Fund Financial Statements

The fund financial statements on pages 42 through 59 of this report provide detailed information about the State's most significant funds—not the State as a whole. Funds are accounting designations that the State uses to track specific funding sources and spending for particular purposes. South Carolina, like other governments, uses fund accounting to ensure and demonstrate compliance with financial related legal requirements.

The State reports three types of *funds*:

Governmental funds: The State reports most of its basic services in governmental funds. Governmental funds account for activities that the State reports as *governmental activities* in its government-wide statements. These funds focus on *short-term* inflows and outflows of expendable resources. The balances remaining at the end of the year help determine whether a fund has more or less financial resources available to spend in the near future. Because the governmental fund statements lack the additional long-term focus of the government-wide statements, a reconciliation that explains the relationship (or differences) between the two kinds of statements is provided. By comparing the two kinds of statements and examining the reconciliation, a better understanding of the long-term impact of the State's near-term funding decisions is available.

The basic governmental fund statements are on pages 42 through 49 of this report.

Proprietary funds: Proprietary funds charge customers for the services they provide—whether they are provided to outside customers (*enterprise funds)* or other State agencies and other governments (*internal service funds).* Proprietary funds use the *accrual basis of accounting* like businesses use. The State reports all of its enterprise funds as *business-type activities* in the government-wide statements. However, because the internal service fund operations primarily benefit other State agencies or other governments, these proprietary funds are included as *governmental activities* in the government-wide financial statements.

The basic proprietary fund statements are on pages 50 through 56 of this report.

Fiduciary funds: The State is the trustee, or *fiduciary*, for its employees' retirement and other post-employment benefit plans. The State also is responsible for other assets that, because of a trust agreement, it is to use only for trust beneficiaries such as an investment pool operated on behalf of local governments. These activities are *excluded* from the State's government-wide financial statements because the State is not to use these assets to benefit its operations. The State has an obligation to ensure that the net position it reports in fiduciary funds are used for the intended purposes.

The basic fiduciary fund statements are on pages 58 and 59 of this report.

Component Unit Financial Statements

The *Government-wide Financial Statements* section on the preceding page identifies the State's major component units under the *Component units* subheading. More detailed financial statements which include these component units are on pages 60 through 63 of this report.

Notes to the Financial Statements

Immediately following the financial statements are *notes* that provide additional and pertinent information to the financial statement amounts. The notes on pages 64 through 153 are necessary to fully understand the financial statements.

Required Supplementary Information

This section addresses budgetary matters and provides certain *required* reporting information that supplements the basic financial statements. Included in this section is a schedule that compares the State's legally adopted General Fund budget with actual revenues collected and expenditures paid for the year. Note 5 on page 161 to the required supplementary information is a reconciliation that provides and explains differences between the changes in fund balance of certain funds when presented on the budgetary-basis and the changes in fund balance of these funds when presented on the GAAP-basis as reported in the governmental fund statements. This required supplementary information is on pages 155 through 161 of this report.

Government-wide Financial Analysis

Exhibits 1 and *2* summarize the State's overall financial position and results of operations for the past two years based on information included in the government-wide financial statements.

Exhibit 1
Government-wide Net Position
As of June 30, 2014
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percent Change
	2014	*(as restated)* 2013	2014	*(as restated)* 2013	2014	*(as restated)* 2013	2014-2013
Assets							
Current and other assets	$ 9,894,717	$ 9,237,967	$ 750,720	$ 644,779	$ 10,645,437	$ 9,882,746	7.7%
Capital assets	15,275,827	14,945,818	136,433	72,497	15,412,260	15,018,315	2.6%
Total assets	**25,170,544**	**24,183,785**	**887,153**	**717,276**	**26,057,697**	**24,901,061**	**4.6%**
Deferred Outflows of Resources	**130,143**	**113,103**	—	—	**130,143**	**113,103**	**15.1%**
Liabilities							
Long-term liabilities	4,341,673	4,614,946	785,290	851,598	5,126,963	5,466,544	(6.2%)
Other liabilities	2,780,290	2,576,554	201,237	362,863	2,981,527	2,939,417	1.4%
Total liabilities	**7,121,963**	**7,191,500**	**986,527**	**1,214,461**	**8,108,490**	**8,405,961**	**(3.5%)**
Net Position							
Net investment in capital assets	11,892,515	11,455,604	124,223	72,497	12,016,738	11,528,101	4.2%
Restricted	5,488,629	5,323,431	185,732	56	5,674,361	5,323,487	6.6%
Unrestricted	797,580	326,353	(409,329)	(569,738)	388,251	(243,385)	(259.5%)
Total net position	**$ 18,178,724**	**$ 17,105,388**	**$ (99,374)**	**$ (497,185)**	**$ 18,079,350**	**$ 16,608,203**	**8.9%**

Net Position

The comparison of net position to liabilities may serve, over time, as a useful indicator of the State's financial strength. At the end of the 2014 fiscal year, the State's net position totaled $18.079 billion.

The largest portion of the State's net position reflects its *investment in capital assets* (for example, buildings, roads, and bridges) less any related debt used to acquire those assets that is still outstanding. The State uses these capital assets to provide services to citizens; consequently, they are *not* available for future spending. Further, the State cannot sell the capital assets themselves to repay the related debt because it needs the assets for its operations; so it must find other resources to repay the debt.

Restricted net position generally is available for future spending but is subject to external restrictions, such as bond covenants, federal government grant restrictions, or restrictions imposed by enabling State legislation or through State constitutional provisions. The State's largest restricted balances include capital improvement bond proceeds (restricted for various capital projects) and debt service.

Unrestricted net position—resources available for future spending without restrictions—reported a balance of $388.251 million at June 30, 2014. This represents an increase of $631.636 million over the prior year. Some of this increase resulted from the $471.227 million increase in the unrestricted net position reported for the State's *governmental activities* which was mostly the result of increased tax revenues.

The State's *business-type activities* reported a ($409.329) million unrestricted net position. This balance was mostly comprised of a ($64.068) million unrestricted net position in the State-run medical malpractice insurance program, a ($57.430) million unrestricted net position in the State-run college tuition prepayment program, and a ($192.367) million unrestricted net position in the Second Injury Fund. The negative unrestricted net position in all three funds was the result of the full amount of claims exceeding assets on hand on June 30, 2014.

Exhibit 2
Government-wide Changes in Net Position
For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals— Primary Government		Total Percentage Change
	2014	*(as restated)* 2013	2014	*(as restated)* 2013	2014	*(as restated)* 2013	2014-2013
Revenues							
Program revenues:							
Charges for services	$ 3,217,602	$ 2,879,071	$ 613,765	$ 511,566	$ 3,831,367	$ 3,390,637	13.0%
Operating grants and contributions	7,661,223	7,328,281	90,107	323,321	7,751,330	7,651,602	1.3%
Capital grants and contributions	806,657	716,702	210	3	806,867	716,705	12.6%
General revenues:							
Individual income tax	3,422,532	3,479,143	—	—	3,422,532	3,479,143	(1.6%)
Retail sales and use tax	4,178,102	3,988,918	—	—	4,178,102	3,988,918	4.7%
Other tax	1,966,716	1,914,771	—	—	1,966,716	1,914,771	2.7%
Unrestricted grants and contributions	1	159	—	—	1	159	(99.4%)
Unrestricted investment income	115,150	66,152	26,107	8,632	141,257	74,784	88.9%
Tobacco legal settlement	109,113	73,326	—	—	109,113	73,326	48.8%
Other	684,412	587,729	204	85	684,616	587,814	16.5%
Total revenues	**22,161,508**	**21,034,252**	**730,393**	**843,607**	**22,891,901**	**21,877,859**	**4.6%**
Expenses							
Governmental activities:							
General government	5,377,689	5,303,836	—	—	5,377,689	5,303,836	1.4%
Education	4,250,632	4,243,187	—	—	4,250,632	4,243,187	0.2%
Health and environment	7,071,800	6,403,284	—	—	7,071,800	6,403,284	10.4%
Social services	1,977,904	2,087,077	—	—	1,977,904	2,087,077	(5.2%)
Administration of justice	830,536	719,891	—	—	830,536	719,891	15.4%
Resources and economic development	334,898	281,763	—	—	334,898	281,763	18.9%
Transportation	1,159,917	931,980	—	—	1,159,917	931,980	24.5%
Other	36,896	44,451	—	—	36,896	44,451	(17.0%)
Business-type activities:							
Unemployment compensation benefits	—	—	342,741	616,064	342,741	616,064	(44.4%)
Second Injury Fund	—	—	2,547	52,656	2,547	52,656	(95.2%)
Other	—	—	35,194	54,061	35,194	54,061	(34.9%)
Total expenses	**21,040,272**	**20,015,469**	**380,482**	**722,781**	**21,420,754**	**20,738,250**	**3.3%**
Excess before transfers	**1,121,236**	**1,018,783**	**349,911**	**120,826**	**1,471,147**	**1,139,609**	**29.1%**
Net transfers	(47,900)	(60,968)	47,900	60,968	—	—	—
Increase in net position	**1,073,336**	**957,815**	**397,811**	**181,794**	**1,471,147**	**1,139,609**	**29.1%**
Net position at beginning of year, as restated[a].	**17,105,388**	**16,147,573**	**(497,185)**	**(678,979)**	**16,608,203**	**15,468,594**	**7.4%**
Net position, end of year	**$ 18,178,724**	**$ 17,105,388**	**$ (99,374)**	**$ (497,185)**	**$ 18,079,350**	**$ 16,608,203**	**8.9%**

a - 2013 restatement due to the GASB 65 implementation and the correction of an error. See Note 14, Fund Equity Reclassifications and Restatements, on page 139 of the financial statekments.

Changes in Net Position

The State's total net position increased by $1.471 billion or 8.9% over the prior year's net position as a result of its governmental activities and its business-type activities. The overall improvement in the financial position of the State was experienced primarily through increased program revenues of the State's governmental activities.

Governmental Activities

The net position of the State's governmental activities increased by $1.073 billion or 6.3%. Revenue increased from last year by $1.127 billion or 5.4%, which is an increase of $365.828 million or 3.6% in general revenue and an increase of $0.761 billion or 7.0% in program revenue. Revenues that support governmental activities are derived mostly from taxes; grants and contributions, including federal aid; and charges for goods and services. *Exhibit 3* illustrates the sources of revenues that support governmental activities.

Expenses associated with governmental activities increased by $1.025 billion or 5.1% for the fiscal year ended June 30, 2014. These expenses were mostly associated with services provided for health and environment, education, general government, transportation, and social services. *Exhibit 4* compares the cost of these services with their *program revenues*—revenues derived directly from the program itself or from parties outside the State's taxpayers or citizenry. The difference between the two represents the *net cost* of these services that taxes and other general revenues financed. For the fiscal year ended June 30, 2014, the State used $9.355 billion in tax and other general revenues to offset the net cost of all services that the State's governmental activities provided. Governmental activities reported $47.900 million in net transfers to the State's business-type activities.

The following paragraphs highlight the most significant changes in revenues and expenses for governmental activities during the 2014 fiscal year:

- Program revenues were $11.685 billion, an increase of $0.761 billion, or 7.0%. The increase was primarily due to the increased demand for health and environmental services.
- Individual income tax revenues decreased by $56.611 million or 1.6%, retail sales and use tax revenues increased by $189.184 million or 4.7%, and other taxes revenues increased by $51.945 million or 2.7%. Overall tax collections increased during fiscal year 2014 due to increased enforcement and improvements in spending within the state and national economies.
- General government expenses increased by $73.853 million or 1.4%, which is attributable to improvements in the state's economy, availability of budgetary appropriations, and increased demand for government services.
- Transportation expenses increased by $227.937 million or 24.5% from last year. The increase is primarily the result of general increases in the costs of improving and enhancing infrastructure. Secondarily, additional appropriations were available from improved economic conditions.
- Health and environmental expenses increased by $668.516 million or 10.4% which can be attributed to an increase in revenue driven by demand for services.

Exhibit 3
Sources of Revenues Supporting Governmental Activities
For the Fiscal Year Ended June 30, 2014

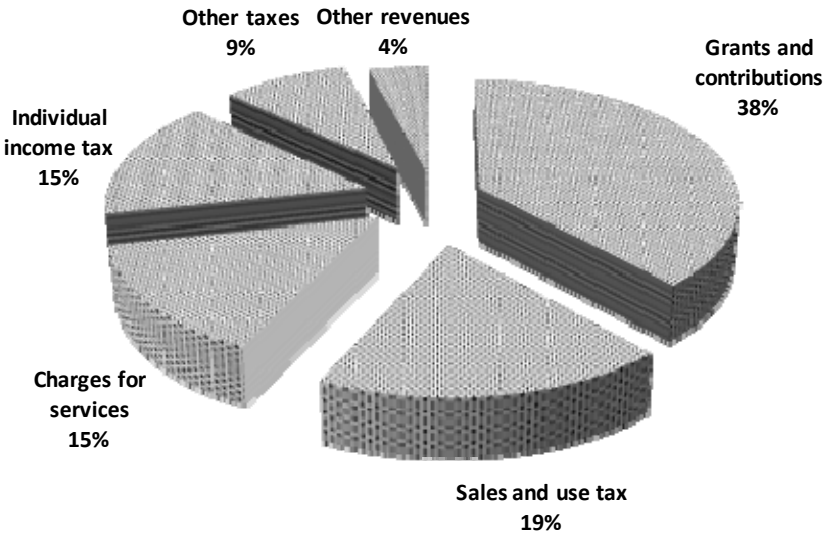
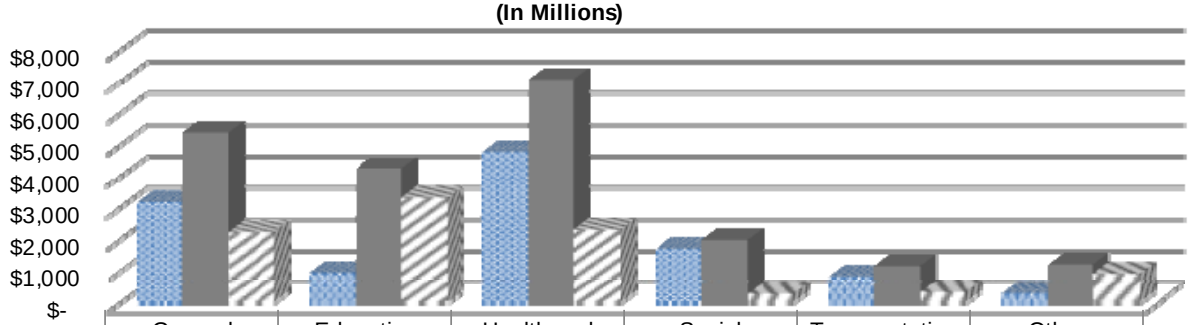


Exhibit 4
Governmental Activities - Net Cost of Services
For the Fiscal Year Ended June 30, 2014
(In Millions)



	General Government	Education	Health and Environment	Social Services	Transportation	Other
Revenues	$3,155	$950	$4,770	$1,699	$824	$287
Expenses	$5,378	$4,251	$7,072	$1,978	$1,160	$1,202
Net Cost	$2,223	$3,301	$2,302	$279	$336	$915

Business-type Activities

The net position of the State's business-type activities increased by $397.811 million or 84.9%.

Most business-type activities are self-supporting. The Unemployment Compensation Fund accounts for the State's unemployment compensation benefits in which federal grants and assessments on employers pay for the services that the Unemployment Compensation Fund provides. The Unemployment Compensation Fund's net position as of June 30, 2014 was $71.278 million, which was an increase of $253.878 million or 139.0%. The Second Injury Fund serves as a claims processor for insurance carriers, self-insurers, and State Accident Fund. The Second Injury Fund's net position as of June 30, 2014 was ($192.367) million, which was an increase of $60.918 million.

Operating revenues of the Unemployment Compensation Fund decreased by $191.077 million or 24.2% and operating expenses for the payment of unemployment compensation benefits decreased by $273.323 million or 44.4% during the 2014 fiscal year. The decreases resulted from declining unemployment claims in the state. Additionally, operating revenues for the Second Injury Fund have increased by $58.522 million.

Financial Analysis of the State's Funds

The State of South Carolina uses fund accounting to ensure and demonstrate compliance with financial related legal requirements. Within the fund financial statements, the focus is on reporting major funds.

Governmental Funds

Exhibit 5 shows the components of fund balance for the State's various governmental funds as of June 30, 2014.

Exhibit 5
Governmental Fund Balances
As of June 30, 2014
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable	$ 68,128	$ 7,306	$ 749,181	$ 8,687	$ 10,501	$ 843,803
Restricted	359,073	717,581	1,376,307	10,000	521,021	2,983,982
Committed	967,245	5,234	—	237,390	104,064	1,313,933
Assigned	444,630	—	—	—	5,387	450,017
Unassigned	1,083,959	(484,181)	—	(263,200)	—	336,578
Totals	**$ 2,923,035**	**$ 245,940**	**$ 2,125,488**	**$ (7,123)**	**$ 640,973**	**$ 5,928,313**
Change from prior year	**$ 381,350**	**$ 13,670**	**$ 88,149**	**$ 90,193**	**$ 39,739**	**$ 613,101**
Percentage change	**15.0%**	**5.9%**	**4.3%**	**92.7%**	**6.6%**	**11.5%**

At June 30, 2014, total ending fund balance for the State's governmental funds was $5.928 billion, which represents an increase of $613.101 million or 11.5% from the prior year. Included in this total is an *unrestricted, unassigned* fund balance of $336.578 million. The General Fund reports $1.084 billion as unrestricted, unassigned and available with no constraints for spending in the coming year. Governmental funds that are *restricted* by external parties or enabling legislation which includes creation through state law or constitutional provision constitute 50.3% percent of the total fund balance. The majority of the remaining fund balance is *non-spendable, committed, or assigned* and is *not* available for future appropriation because it is not in a spendable form or is accessible only for specific purposes.

The *General Fund* is the State's operating fund. This fund includes resources, such as taxes, that pay for the services that the State traditionally has provided to its citizens. Activity is accounted for in the General Fund unless constraints established by State law or external parties require them to be accounted for in another fund. Increases in the current fiscal year were experienced in interest and other investment income of $21.69 million, 149.87%, other tax (which includes domestic corporate license taxes, taxes on alcoholic beverages and tobacco, and bank taxes) of $17.135 million, 3.7%, and departmental services revenues (which mostly includes Medicaid and Medicare reimbursements) of $137.107 million, 20.9% from the prior year. The increase in expenditures of $544.467 million, 6.2%, is below the increase in revenue indicating a continued controlling of costs and spending reductions previously mandated by State officials.

The *Departmental Program Services* is a major special revenue fund in which agencies account for primarily restricted resources used to fund program services. These resources provide a supplement for the payment of the services that the State traditionally has provided to its citizens thus expanding services when possible. During the 2014 fiscal year, the total fund balance increased by $13.670 million or 5.9% from the prior year. The primary source of revenue for the fund is federal revenues which account for $7.096 billion or 92.9% of the total revenue reported. These grants are reimbursement based thereby creating a higher unassigned fund balance until the funds are received.

The *Department of Transportation (DOT) Special Revenue Fund* accounts for various gasoline taxes, fees, fines, and federal grant resources. The DOT uses these resources to pay for its general operations, which include maintenance, regulation, and construction of public highways and bridges. The fund balance increased by $90.193 million or 92.7% during the 2014 fiscal year leaving a balance of ($7.123) million at the end of the fiscal year. The increase in fund balance was caused primarily by transfers in of $102.456 million. The transfers in were State appropriations in the 2014 fiscal year, which were not made in the 2013 fiscal year. In fiscal year 2014, the SC General Assembly reallocated the car sales tax to DOT to assist in covering expenditures related to infrastructure improvements and reduce the deficit fund balance.

Proprietary Funds

Exhibit 6 shows the components of the net position for the State's various proprietary funds at June 30, 2014.

Exhibit 6

Proprietary Fund Net Position

As of June 30, 2014

(Expressed in Thousands)

Fund Net Position	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Total Enterprise	Internal Service Funds
Net investment in capital assets	$ —	$ —	$ 124,223	$ 124,223	$ 92,207
Restricted, expendable	69,230	—	116,502	185,732	252,026
Unrestricted	2,048	(192,367)	(219,010)	(409,329)	198,170
Totals	**$ 71,278**	**$ (192,367)**	**$ 21,715**	**$ (99,374)**	**$ 542,403**
Change from prior year	**$ 253,878**	**$ 60,918**	**$ 83,015**	**$ 397,811**	**$ 47,809**
Percentage change	**139.0%**	**24.1%**	**135.4%**	**80.0%**	**9.7%**

The State has two kinds of proprietary funds: enterprise funds and internal service funds.

Enterprise funds are reported as business-type activities in the government-wide financial statements. Enterprise funds sell goods or services primarily to parties outside of State government.

The net position of the *Unemployment Compensation Benefits Fund*, a major enterprise fund, increased by $253.878 million or 139.0% over the prior year. Decreases in the number of individuals eligible for and claiming State unemployment insurance benefits resulted in the improved net position and enabled the Fund to operate without obtaining additional advances from the Federal government since May of 2011. Additional information on the advances and plans for repayment are included in Note 11i.

The net position of the *Second Injury Fund*, a major enterprise fund, increased by $60.918 million or 24.1% over the prior year. The increase was largely attributed to charges for services being $29.338 million larger than claims paid in the 2014 fiscal year.

The net position of the State's *nonmajor enterprise funds* increased by $83.015 million or 135.4% over the prior year. The increase in the State's *nonmajor enterprise funds'* net position was primarily due to a $49.093 million transfer from the *Capital Projects Fund* to the *Palmetto Railways Fund* for the acquisition of land.

South Carolina's *internal service funds* provide certain services (including maintenance, insurance, printing, information technology, and motor pool services) to other State funds but sometimes to local governments as well. The increase in net position of $47.809 million or 9.7% over the prior year resulted mostly from an increase in charges for services and a decrease in benefits and claims in the Employee Insurance Programs. The objective of an internal service fund is to charge its customers for the costs of the services or goods that it provides. Because internal service funds primarily benefit State government, South Carolina reports them as governmental activities in the government-wide financial statements.

Budgetary General Fund Highlights

Original estimated revenues for the 2014 fiscal year were $6.390 billion. Because of continual review of tax revenue collections, the Board of Economic Advisors (BEA) revised the revenue estimate during the course of the year to a total of $6.360 billion. Actual revenues at June 30, 2014, were $192.823 million or 3.0% over the estimated revenue used in the fiscal year 2014 budget appropriations act and which also represented an increase in collections over the prior year of $162.814 million or 2.5%. Individual income and sales tax collections are the fund's primary revenue sources. Individual income tax collections ended the year over the adjusted estimate by $75.468 million and sales tax collections ended the year over the adjusted estimate by $44.443 million.

Actual expenditures were $223.242 million less than actual revenues because revenue collections exceeded the original budget, while expenditures were kept $490.255 million under fiscal year 2014 adjusted appropriations. In addition, $829 thousand of unbudgeted spending was allowed through "open-ended" appropriations.

Based on the above results of operations, fiscal year 2014 ended with a budgetary surplus. The State ended the year with a budgetary General Fund balance of $1.163 billion.

See the *Required Supplementary Information* section on pages 155 through 161 of this report for a detailed budgetary comparison schedule.

Capital Assets and Debt Administration

Capital Assets

At the end of the 2014 fiscal year, the State had $15.412 billion invested in capital assets, net of depreciation. This represented a net increase (including additions and deductions) of $393.945 million or 2.6%, over the previous accounting year (see *Exhibit 7*).

Exhibit 7
Capital Assets, Net of Depreciation
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2014	2013	2014	2013	2014	2013	2014-2013
Land and improvements	$ 1,943,407	$ 1,926,330	$ 92,862	$ 41,249	$ 2,036,269	$ 1,967,579	3.5%
Infrastructure	9,313,843	9,200,685	—	—	9,313,843	9,200,685	1.2%
Buildings and improvements	1,081,718	1,128,643	17,834	9,857	1,099,552	1,138,500	(3.4%)
Vehicles	96,440	91,305	3	6	96,443	91,311	5.6%
Machinery and equipment	139,804	122,036	3,727	3,039	143,531	125,075	14.8%
Works of art and historical treasures	8,415	5,178	—	—	8,415	5,178	62.5%
Construction in progress	2,645,274	2,414,808	21,892	10,116	2,667,166	2,424,924	10.0%
Intangible assets	46,926	56,833	115	8,230	47,041	65,063	(27.7%)
Total	**$ 15,275,827**	**$ 14,945,818**	**$ 136,433**	**$ 72,497**	**$ 15,412,260**	**$ 15,018,315**	**2.6%**

Growth in capital asset investment occurred mostly in construction in progress, which was primarily in infrastructure expenditures (roads and bridges) within the Department of Transportation Special Revenue Fund. During the current year, buildings and improvements have continued to decrease due to general aging, as reflected in the net book value through depreciation.

See Note 6 in the notes to the financial statements on page 97 of this report for additional information on the State's capital assets.

Debt Outstanding

At June 30, 2014, the State had $3.365 billion in bonds and notes outstanding—a decrease of $161.120 million, or a 4.6% decline from last year (see *Exhibit 8*).

Exhibit 8
Outstanding Bonds and Notes
As of June 30 for the Years Indicated
(Expressed in Thousands)

	Governmental Activities		Business-type Activities		Totals—Primary Government		Total Percentage Change
	2014	*(as restated)* 2013	2014	2013	2014	*(as restated)* 2013	2014-2013
Backed by the State:							
General obligation bonds	$ 1,320,532	$ 1,398,363	$ —	$ —	$ 1,320,532	$ 1,398,363	(5.6%)
Backed by Specific Revenues:							
Revenue bonds and notes	21,072	24,318	6,210	6,360	27,282	30,678	(11.1%)
Infrastructure Bank bonds	2,016,518	2,094,922	—	—	2,016,518	2,094,922	(3.7%)
Limited obligation bonds	919	2,408	—	—	919	2,408	(61.8%)
Total	**$3,359,041**	**$ 3,520,011**	**$ 6,210**	**$ 6,360**	**$3,365,251**	**$ 3,526,371**	**(4.6%)**

2013 restatement due to GASB 65 reclassification of deferred amounts on bond refundings to deferred outflows of resources.

The reduction of principal on outstanding debt exceeded the issuance of debt resulting in a decrease in debt outstanding for governmental activities of $160.970 million. Activity in the debt reported by the governmental activities included the

issuance of $86.575 million in highway general obligation refunding bonds. All of the proceeds from the debt issuance by governmental activities were used to refund earlier bond issues.

Three bond rating services assign ratings to bonds that the State backs with its own taxing authority (*general obligation bonds*). Fitch Ratings rated these bonds as "AAA" and Moody's Investors Service rated them as "Aaa" during the fiscal year ended June 30, 2014, the highest rating that these services assign. The State's bond rating from Standard & Poor's was "AA+" during the same period.

The State limits the amount of annual payments for principal and interest on general obligation bonds and notes rather than directly limiting the amount of those bonds and notes that the State may have outstanding. At June 30, 2014, the State legally could issue additional bonds as long as the new debt would not increase the State's annual principal and interest payments by more than the following amounts: $35.949 million for highway bonds, $207.442 million for general obligation bonds (excluding institution and highway bonds), $7.407 million for economic development bonds, and $10.237 million for research university infrastructure bonds.

State institution bonds and bond anticipation notes of $491.520 million were outstanding at June 30, 2014.

See Note 11 in the notes to the financial statements on page 121 of this report for additional information about the State's long-term debt.

Economic Factors and Next Year's Budget

The "Rainy Day Account"

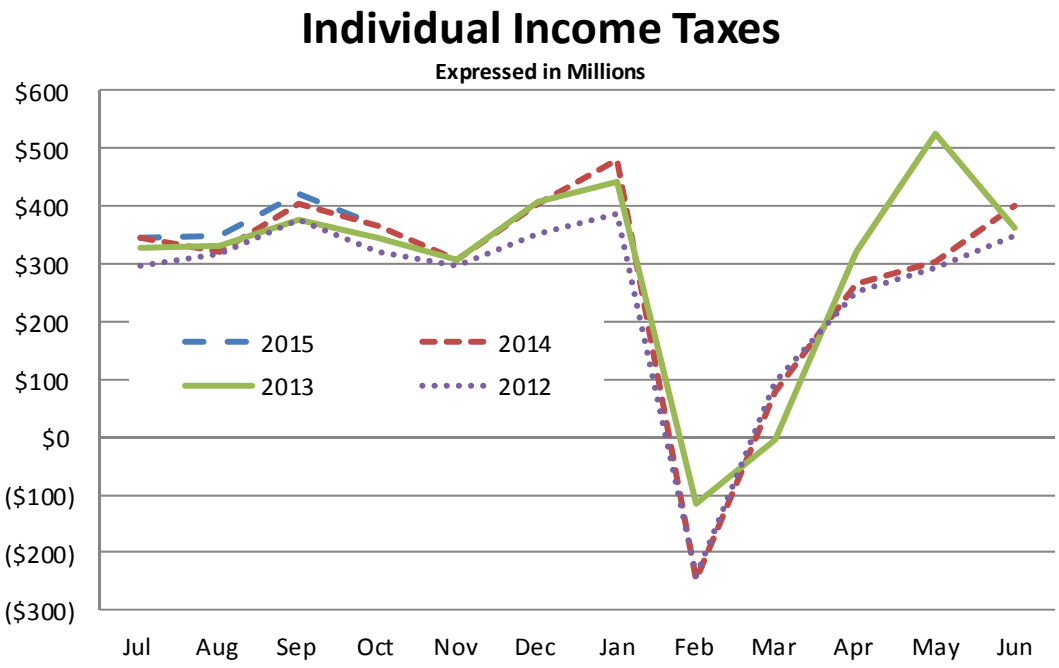
At June 30, 2014, the General Reserve Fund, sometimes called the *rainy day account*, had a balance of $292.889 million which increased from the prior year by $11.248 million appropriated by the 2013-2014 Appropriations Act. The balance is fully funded in accordance with the State's Constitution. The State's Constitution requires restoration of the reserve to full funding within three fiscal years after a withdrawal. For the fiscal year 2014, State law defines full funding for the reserve as 4.5% of the Budgetary General Fund's revenues of the prior fiscal year. This requirement increases in increments of one-half of one percent annually until it reaches 5.0% in fiscal year 2015.

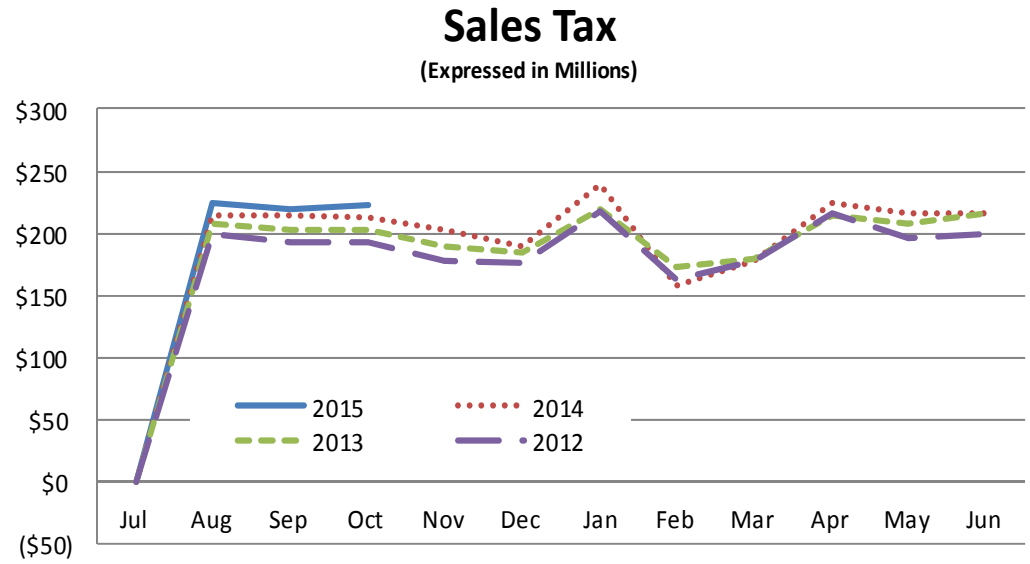
Budgetary General Fund for the 2014-2015 Accounting Year

For fiscal year 2015, the Board of Economic Advisors estimated General Fund cash basis revenue of $6.660 billion, which was $107.758 million or 1.6% greater than fiscal year 2014 actual revenue collections. The State's Board of Economic Advisors November 2014 estimate reflects an additional increase of $18.395 million or 0.2% over the original revenue estimate for fiscal year 2015.

Economic Conditions

Budgetary General Fund revenues for the first four months of fiscal year 2015 were $2.424 billion, an increase of $94.036 million or 4.0% over the same period for fiscal year 2014. Total individual income taxes collected have increased by $46.879 million or 3.3% over the same period in the prior year. Sales taxes have also increased by $27.097 million or 4.2% from the first four months of fiscal year 2014.

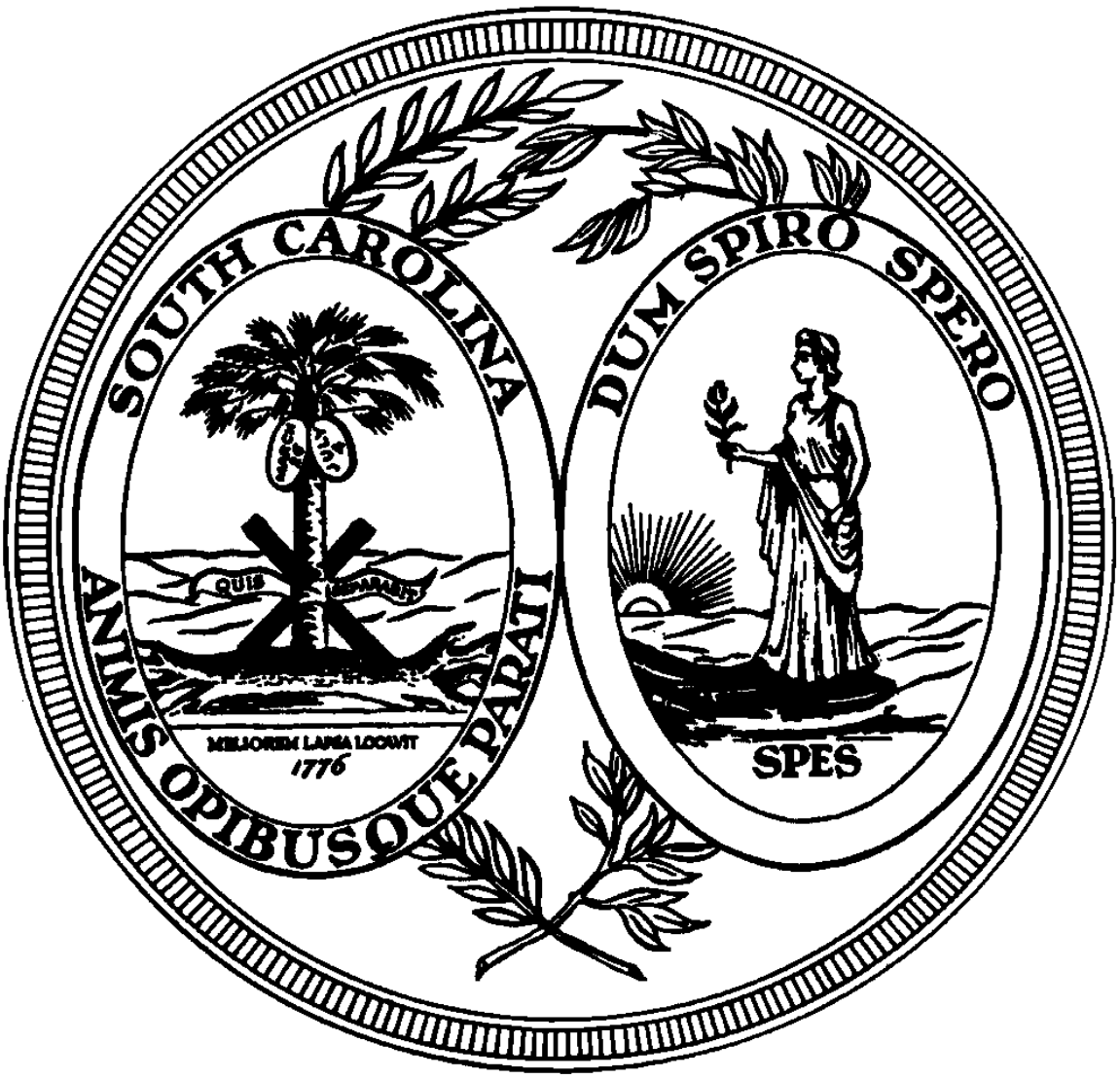




Requests for Information

The primary purpose of this financial report is to provide South Carolina's citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Please address any questions concerning information in this report to:

Office of the Comptroller General
ATTN: Chief of Staff
1200 Senate Street
305 Wade Hampton Office Building
Columbia, South Carolina 29201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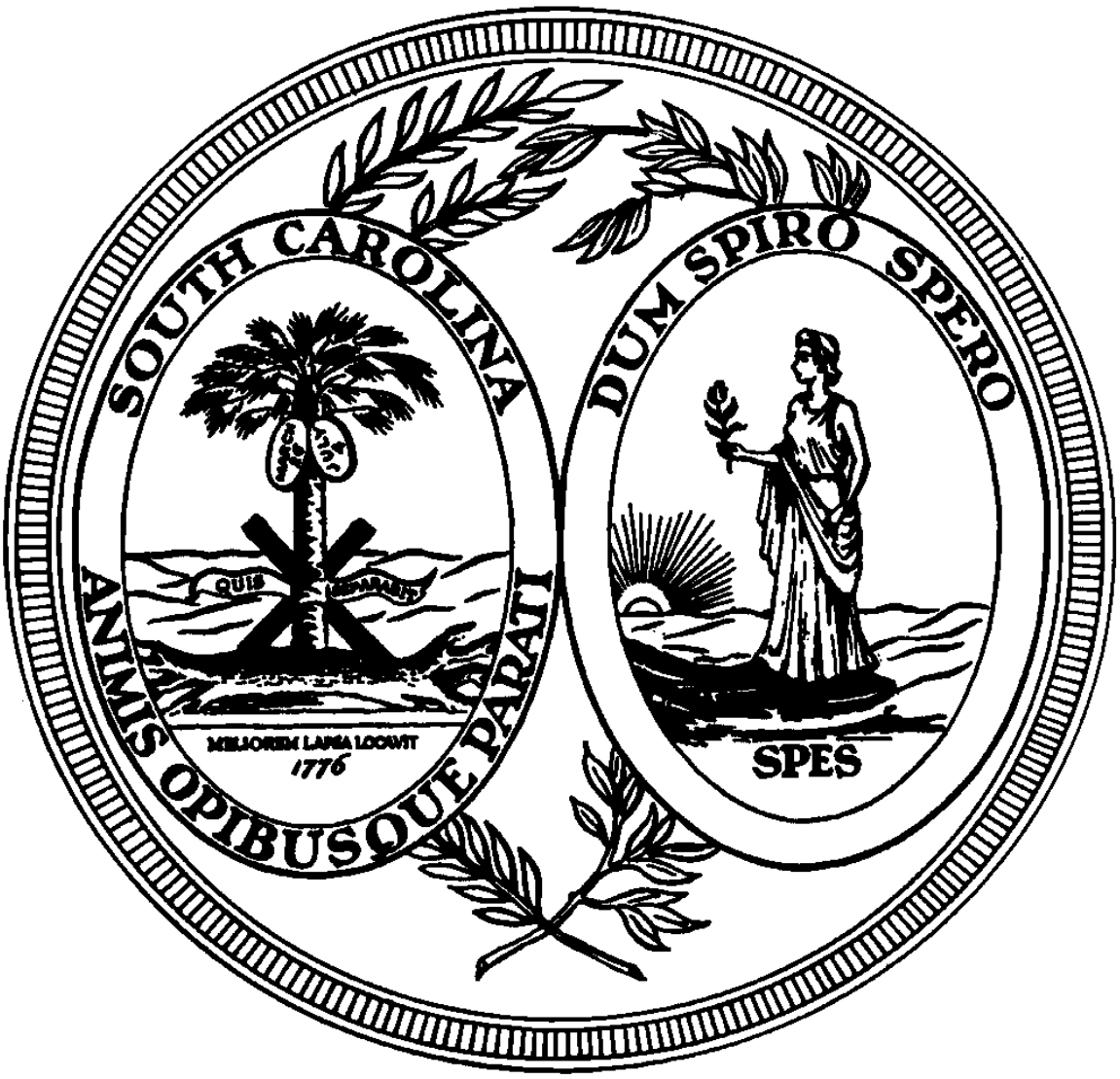
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ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
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BASIC
FINANCIAL STATEMENTS

Statement of Net Position

June 30, 2014
(Expressed in Thousands)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-type Activities	Totals	COMPONENT UNITS
ASSETS				
Cash and cash equivalents	$ 5,429,990	$ 486,685	$ 5,916,675	$ 1,898,036
Investments	505,212	110,969	616,181	1,285,878
Invested securities lending collateral	5,473	79	5,552	1,849
Receivables, net:				
Accounts	417,677	23,558	441,235	357,792
Contributions	475	—	475	122,968
Participants	—	3,843	3,843	—
Accrued interest	20,175	378	20,553	7,810
Income taxes	397,565	—	397,565	—
Sales and other taxes	580,984	—	580,984	—
Student accounts	40	—	40	50,569
Patient accounts	19,362	—	19,362	227,020
Loans and notes	550,241	—	550,241	120,116
Assessments	—	125,395	125,395	—
Due from Federal government and other grantors	680,933	339	681,272	109,046
Internal balances	6,003	(6,003)	—	—
Due from component units	60,844	—	60,844	—
Due from primary government	—	—	—	254,473
Inventories	36,168	2,875	39,043	772,092
Restricted assets:				
Cash and cash equivalents	864,482	2	864,484	1,126,987
Investments	—	—	—	2,500,100
Accounts receivable	215,240	—	215,240	—
Loans receivable	—	2,153	2,153	591,104
Other	69,168	—	69,168	30,977
Prepaid items	34,139	439	34,578	79,970
Other assets	546	8	554	1,032,959
Other assets- asset retirement obligation	—	—	—	603,663
Investment in joint venture	—	—	—	6,840
Capital assets-nondepreciable	4,537,736	114,402	4,652,138	3,296,616
Capital assets-depreciable, net	10,738,091	22,031	10,760,122	9,058,338
Total assets	$ 25,170,544	$ 887,153	$ 26,057,697	$ 23,535,203
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	$ 21,801	$ —	$ 21,801	$ 23,101
Deferred amount on refunding	108,342	—	108,342	188,401
Total deferred outflows	$ 130,143	$ —	$ 130,143	$ 211,502
LIABILITIES				
Accounts payable	$ 600,906	$ 2,814	$ 603,720	$ 426,216
Accrued salaries and related expenses	142,076	536	142,612	170,479
Accrued interest payable	8,186	—	8,186	122,659
Retainages payable	508	—	508	11,874
Tax refunds payable	721,196	16,620	737,816	—
Payables-aid to individuals/families	6,188	—	6,188	—
Prizes payable	—	—	—	26,647
Unemployment benefits payable	—	1,564	1,564	—
Intergovernmental payables	467,771	2,840	470,611	455
Tuition benefits payable	—	165,670	165,670	—
Due to component units	254,473	—	254,473	—
Due to primary government	—	—	—	60,844
Due to fiduciary funds	12,301	—	12,301	—
Unearned revenues and asset retirement obligation	358,529	4,646	363,175	1,302,199
Deposits	—	—	—	15,338
Amounts held in custody for others	—	—	—	32,767
Securities lending collateral	16,164	232	16,396	5,462
Liabilities payable from restricted assets:				
Accrued interest payable	28,996	32	29,028	—
Other	—	2,195	2,195	18,042
Other liabilities	162,996	4,088	167,084	670,854
Long-term liabilities:	—			
Due within one year	938,993	175,414	1,114,407	378,149
Due in more than one year	3,402,680	609,876	4,012,556	9,666,328
Total liabilities	$ 7,121,963	$ 986,527	$ 8,108,490	$ 12,908,313
DEFERRED INFLOWS OF RESOURCES				
Accumulated increase in fair value of hedging derivatives	$ —	$ —	$ —	$ 8,146
Deferred gain on refunding	—	—	—	412
Deferred nuclear decommissioning costs	—	—	—	185,849
Deferred nonexchange revenues	—	—	—	678
Total deferred outflows	$ —	$ —	$ —	$ 195,085

Exhibit A-1

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
NET POSITION				
Net investment in capital assets	$ 11,892,515	$ 124,223	$ 12,016,738	$ 4,763,347
Restricted:				
Expendable:				
General Government	1,265,085	—	1,265,085	—
Education	528,171	20	528,191	986,176
Health	908,642	—	908,642	—
Transportation	783,474	—	783,474	745
Capital projects	188,811	—	188,811	520,365
Debt service	1,247,323	—	1,247,323	274,433
Loan programs	17,847	—	17,847	319,747
Waste management	173,416	—	173,416	—
Insurance programs	234,179	69,230	303,409	—
Administration of Justice	26,865	—	26,865	—
Economic Development	62,801	—	62,801	—
Social Programs	42,958	—	42,958	—
Other	—	—	—	2,701
Nonexpendable:				
Education	—	—	—	1,054,032
Other	9,057	116,482	125,539	—
Unrestricted	797,580	(409,329)	388,251	2,721,761
Total net position (deficit)	**$ 18,178,724**	**$ (99,374)**	**$ 18,079,350**	**$ 10,643,307**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Activities

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net Revenues (Expenses)
Primary government:					
Governmental activities:					
General government	$ 5,377,689	$ 2,426,885	$ 607,938	$ 119,752	$ (2,223,114)
Education	4,250,632	54,894	884,309	10,944	(3,300,485)
Health and environment	7,071,800	436,105	4,262,519	71,859	(2,301,317)
Social services	1,977,904	16,394	1,682,410	81	(279,019)
Administration of justice	830,536	63,811	53,589	45,786	(667,350)
Resources and economic development	334,898	62,141	58,516	3,475	(210,766)
Transportation	1,159,917	157,372	111,942	554,760	(335,843)
Unallocated interest expense	36,896	—	—	—	(36,896)
Total governmental activities	**21,040,272**	**3,217,602**	**7,661,223**	**806,657**	**(9,354,790)**
Business-type activities:					
Unemployment compensation benefits	342,741	507,907	88,790	—	253,956
Second Injury	2,547	60,043	—	—	57,496
Other enterprise activities	35,194	45,815	1,317	210	12,148
Total business-type activities	**380,482**	**613,765**	**90,107**	**210**	**323,600**
Total primary government	**$ 21,420,754**	**$ 3,831,367**	**$ 7,751,330**	**$ 806,867**	**$ (9,031,190)**
Component units:					
Public Service Authority	1,789,130	1,816,576	1,625	—	29,071
Medical University of South Carolina	1,869,055	1,758,385	193,896	19,637	102,863
University of South Carolina	1,100,388	834,755	338,112	24,364	96,843
Clemson University	792,537	569,498	304,684	18,684	100,329
State Ports Authority	150,698	159,808	4,039	3,934	17,083
Housing Authority	227,823	41,636	199,367	—	13,180
Other	3,051,669	2,389,925	710,914	77,237	126,407
Total component units	**$ 8,981,300**	**$ 7,570,583**	**$ 1,752,637**	**$ 143,856**	**$ 485,776**

Exhibit A-2

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net position:				
Net revenues (expenses)	$ (9,354,790)	$ 323,600	$ (9,031,190)	$ 485,776
General revenues:				
Taxes:				
Individual income	3,422,532	—	3,422,532	—
Retail sales and use	4,178,102	—	4,178,102	—
Corporate income	327,809	—	327,809	—
Gas and motor vehicle	636,216	—	636,216	—
Insurance	138,037	—	138,037	—
Hospital	262,962	—	262,962	—
Other	601,692	—	601,692	—
Total taxes	9,567,350	—	9,567,350	—
Unrestricted grants and contributions	1	—	1	—
Unrestricted investment income	115,150	26,107	141,257	—
Tobacco legal settlement	109,113	—	109,113	—
Other revenues	684,412	204	684,616	—
Additions to endowments	—	—	—	50,278
Transfers–internal activities	(47,900)	47,900	—	—
Total general revenues, additions to endowments, and transfers	**10,428,126**	**74,211**	**10,502,337**	**50,278**
Change in net position	**1,073,336**	**397,811**	**1,471,147**	**536,054**
Net position (deficit) at beginning of year, restated	**17,105,388**	**(497,185)**	**16,608,203**	**10,107,253**
Net position (deficit) at end of year	**$ 18,178,724**	**$ (99,374)**	**$ 18,079,350**	**$ 10,643,307**

The Notes to the Financial Statements are an integral part of this statement.

Balance Sheet

GOVERNMENTAL FUNDS

June 30, 2014
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
ASSETS			
Cash and cash equivalents	$ 3,088,200	$ 182,037	$ 553,955
Investments	43,617	6,606	—
Invested securities lending collateral	144	61	1,673
Receivables, net:			
Accounts	92,901	116,397	13,950
Contributions	184	291	—
Accrued interest	11,928	183	2,696
Income taxes	397,565	—	—
Sales and other taxes	472,300	11,015	—
Student accounts	40	—	—
Patient accounts	15,684	3,678	—
Loans and notes	39,064	532	506,844
Due from Federal government and other grantors	42	612,888	—
Due from other funds	123,292	26,437	1,679
Due from component units	7,609	1,093	—
Interfund receivables	617	760	272,834
Inventories	26,130	4,074	—
Restricted assets:			
Cash and cash equivalents	—	—	853,735
Accounts receivable	—	—	215,240
Other	—	—	35,168
Prepaid items	5,764	1,940	—
Other assets	—	—	—
Total assets	**$ 4,325,081**	**$ 967,992**	**$ 2,457,774**
LIABILITIES			
Accounts payable	152,797	269,489	11,087
Accrued salaries and related expenditures	93,042	25,945	68
Retainages payable	75	327	—
Tax refunds payable	720,934	—	—
Payable–aid to individuals/families	1,648	4,540	—
Intergovernmental payables	72,516	200,864	100
Due to other funds	79,457	119,786	20
Due to component units	215,628	34,774	—
Interfund payables	1,842	475	—
Unearned revenues	18,402	44,773	122,026
Securities lending collateral	426	179	4,936
Other liabilities	43,510	10	—
Total liabilities	**1,400,277**	**701,162**	**138,237**
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	**1,769**	**20,890**	**194,049**
FUND BALANCES (DEFICIT)			
Nonspendable	68,128	7,306	749,181
Restricted	359,073	717,581	1,376,307
Committed	967,245	5,234	—
Assigned	444,630	—	—
Unassigned	1,083,959	(484,181)	—
Total fund balances (deficit)	**2,923,035**	**245,940**	**2,125,488**
Total liabilities and fund balances	**$ 4,325,081**	**$ 967,992**	**$ 2,457,774**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-1

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ 319,484	$ 685,301	$ 4,828,977
—	392	50,615
147	308	2,333
14,113	832	238,193
—	—	475
340	910	16,057
—	—	397,565
9,051	88,618	580,984
—	—	40
—	—	19,362
3,508	293	550,241
68,003	—	680,933
49,710	295	201,413
—	47,114	55,816
—	1,423	275,634
2,635	—	32,839
10,747	—	864,482
—	—	215,240
—	34,000	69,168
3,683	21	11,408
215	—	215
$ 481,636	**$ 859,507**	**$ 9,091,990**
153,332	$ 10,396	$ 597,101
19,526	221	138,802
74	32	508
—	262	721,196
—	—	6,188
—	194,140	467,620
13,485	64	212,812
—	4,071	254,473
272,834	8,435	283,586
26,833	—	212,034
433	913	6,887
—	—	43,520
486,517	**218,534**	**2,944,727**
2,242	**—**	**218,950**
8,687	10,501	843,803
10,000	521,021	2,983,982
237,390	104,064	1,313,933
—	5,387	450,017
(263,200)	—	336,578
(7,123)	**640,973**	**5,928,313**
$ 481,636	**$ 859,507**	**$ 9,091,990**

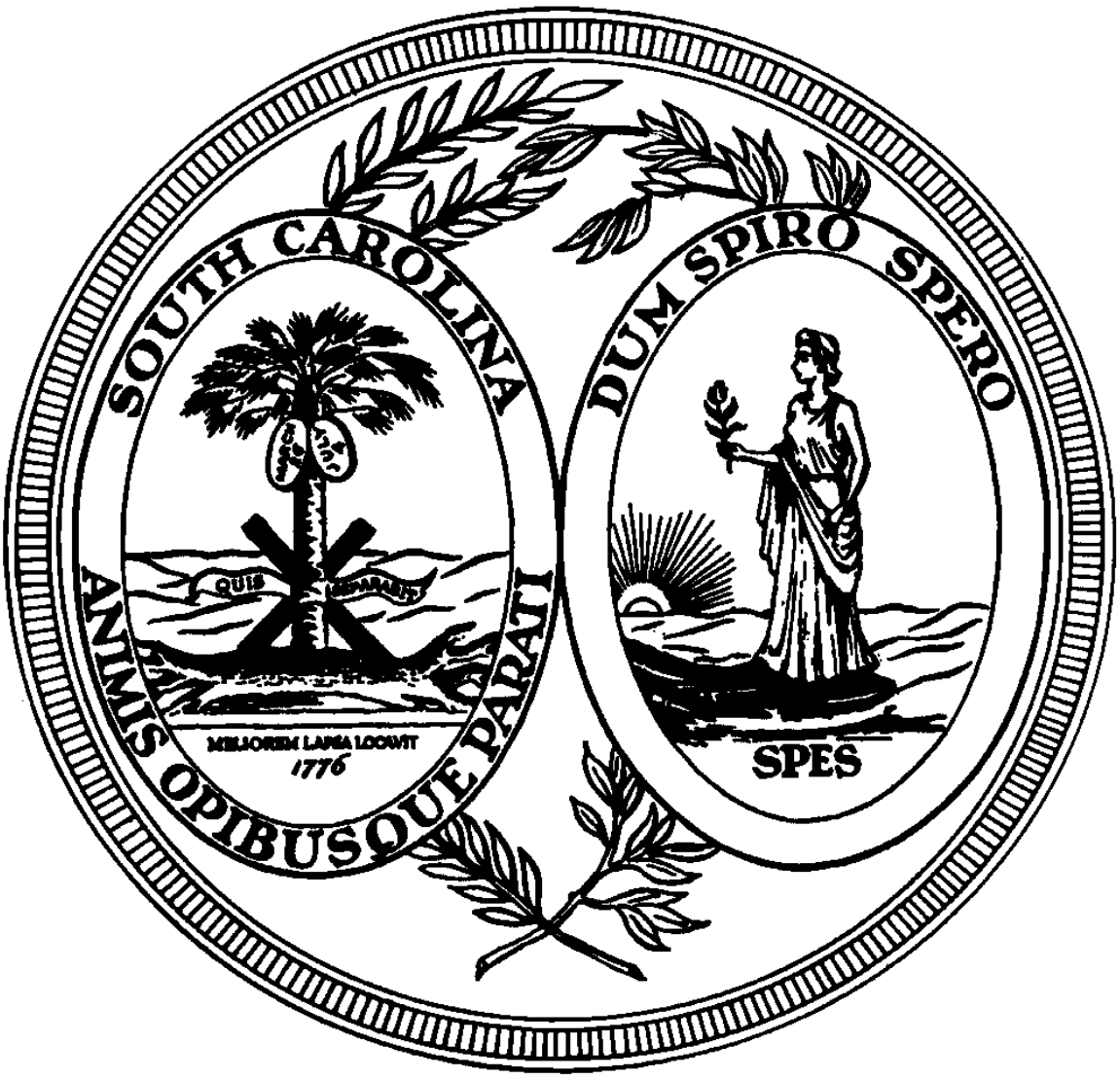
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

Exhibit B-1a

June 30, 2014
(Expressed in Thousands)

Total fund balances–governmental funds		**$ 5,928,313**
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Non-depreciable capital assets	$ 4,530,839	
Depreciable capital assets	15,841,196	
Accumulated depreciation	(5,198,904)	
Total capital assets		15,173,131
Deferred outflows of resources related to the State's losses on bond refundings are deferred and amortized over the life of the bonds and are included in governmental activities in the statement of net position		108,342
Certain State revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures, and therefore are considered deferred inflows of resources		218,950
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position		542,403
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable	(3,349,366)	
Notes payable	(17,451)	
Accrued interest on bonds	(36,963)	
Capital leases	(6,004)	
Compensated absences	(213,309)	
Policy claims	(48,000)	
Other	(121,322)	
Total long-term liabilities		(3,792,415)
Net position of governmental activities		**$ 18,178,724**

The Notes to the Financial Statements are an integral part of this statement.


SOUTH CAROLINA
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Statement of Revenues, Expenditures, and Changes in Fund Balances

GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	General Fund	Departmental Program Services	Local Government Infrastructure
Revenues:			
Taxes:			
Individual income	$ 3,399,439	$ —	$ 23,093
Retail sales and use	3,464,553	1,709	—
Corporate Income	327,809	—	—
Gas and motor vehicle	—	—	—
Insurance	138,037	—	—
Hospital	262,962	—	—
Other	477,282	122,232	—
Licenses, fees, and permits	277,093	29,385	160,795
Interest and other investment income	36,163	1,927	46,639
Federal	51,402	7,095,642	23,491
Local and private grants	5,244	52,345	—
Departmental services	793,229	89,855	253
Contributions	15,247	16,711	68,435
Fines and penalties	133,468	4,795	—
Tobacco legal settlement	—	—	—
Other	499,038	226,762	2,627
Total revenues	**9,880,966**	**7,641,363**	**325,333**
Expenditures:			
Current:			
General government	603,967	95,428	332
Education	567,699	120,381	—
Health and environment	2,528,519	4,793,409	—
Social services	324,402	1,654,183	—
Administration of justice	770,354	27,669	—
Resources and economic development	142,446	59,760	1,034
Transportation	1,553	2,267	507
Capital outlay	78,155	25,637	—
Debt service:			
Principal retirement	149,360	3,705	73,765
Interest and fiscal charges	45,595	367	94,909
Intergovernmental	4,156,234	973,593	70,291
Total expenditures	**9,368,284**	**7,756,399**	**240,838**
Excess of revenues over (under) expenditures	**512,682**	**(115,036)**	**84,495**
Other financing sources (uses):			
Refunding bonds issued	—	—	—
Bonds issued	—	—	—
Premiums on bonds issued	—	—	—
Capital Leases	3,348	4,118	—
Payment to refunded bond escrow agent	—	—	—
Transfers in	332,712	277,022	13,767
Transfers out	(467,392)	(152,434)	(10,113)
Total other financing sources (uses)	**(131,332)**	**128,706**	**3,654**
Net change in fund balances	**381,350**	**13,670**	**88,149**
Fund balances (deficit) at beginning of year, as restated	**2,541,685**	**232,270**	**2,037,339**
Fund balances (deficit) at end of year	**$ 2,923,035**	**$ 245,940**	**$ 2,125,488**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit B-2

Department of Transportation Special Revenue	Nonmajor Governmental Funds	Totals
$ —	$ —	$ 3,422,532
—	711,840	4,178,102
—	—	327,809
636,216	—	636,216
—	—	138,037
—	—	262,962
—	2,178	601,692
—	76,285	543,558
3,799	7,205	95,733
639,878	2,403	7,812,816
—	—	57,589
58,702	8,715	950,754
—	333,538	433,931
—	8,459	146,722
—	109,113	109,113
12,556	874	741,857
1,351,151	**1,260,610**	**20,459,423**
—	84,788	784,515
—	260,057	948,137
—	1,627	7,323,555
—	—	1,978,585
—	8	798,031
—	593	203,833
687,916	—	692,243
530,626	68,233	702,651
41,964	1,287	270,081
23,878	18,259	183,008
79,543	763,775	6,043,436
1,363,927	**1,198,627**	**19,928,075**
(12,776)	**61,983**	**531,348**
86,575	—	86,575
—	100,235	100,235
15,000	15,389	30,389
—	—	7,466
(101,062)	—	(101,062)
102,456	82,175	808,132
—	(220,043)	(849,982)
102,969	**(22,244)**	**81,753**
90,193	**39,739**	**613,101**
(97,316)	**601,234**	**5,315,212**
$ (7,123)	**$ 640,973**	**$ 5,928,313**

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

Net change in fund balances–total governmental funds		**$ 613,101**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:		
Capital outlay	$ 641,635	
Depreciation expense	(301,180)	
Excess of capital outlay over depreciation expense		340,455
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources and losses on disposals of capital assets are reported as an expense in the statement of activities		(10,272)
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current period, proceeds were received from:		
Bonds and notes issued	(186,810)	
Net bond premiums and discounts	(30,389)	
Net bond and note proceeds		(217,199)
Losses on bond refundings are considered deferred outflows of resources in the statement of net position		(4,761)
Certain capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability		(7,466)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:		
Bond principal retirement	259,666	
Bonds repurchased	101,062	
Note principal retirement	8,604	
Capital lease payments	1,811	
Total long-term debt repayment		371,143
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net expense of the internal service funds is included in governmental activities in the statement of activities, net of restatements		47,809
Because certain receivables will not be collected soon enough after the State's fiscal year ends, the related revenues are not considered "available" and are deferred in the governmental funds.		
Decrease in unearned revenues		(74,482)

Exhibit B-2a

Certain items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These consist of changes in the following assets and liabilities:

Accrued interest payable	$ 6,949	
Unamortized bond premiums and discounts	13,992	
Compensated absences payable	(9,377)	
Policy claims payable	47,884	
Other long-term liabilities	(44,440)	
Total additional expenses		15,008
Change in net position of governmental activities		**$ 1,073,336**

Statement of Net Position

PROPRIETARY FUNDS

June 30, 2014
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
ASSETS					
Current assets:					
Cash and cash equivalents	$ 346,188	$ 116,977	$ 23,520	$ 486,685	$ 601,014
Investments	—	—	110,969	110,969	—
Invested securities lending collateral	10	66	3	79	3,140
Receivables, net:					
Accounts	20,810	141	2,607	23,558	178,433
Participants	—	—	944	944	—
Accrued interest	30	202	146	378	4,118
Assessments	125,395	—	—	125,395	—
Due from Federal government and other grantors	339	—	—	339	—
Due from other funds	—	—	—	—	3,675
Due from component units	—	—	—	—	5,028
Inventories	—	—	2,875	2,875	3,329
Restricted assets:					
Cash and cash equivalents	—	—	2	2	—
Prepaid items	—	—	439	439	21,927
Other current assets	—	—	8	8	—
Total current assets	492,772	117,386	141,513	751,671	820,664
Long-term assets:					
Investments	—	—	—	—	454,597
Receivables, net:					
Accounts	—	—	—	—	1,051
Participants	—	—	2,899	2,899	—
Interfund receivables	—	—	—	—	15,288
Restricted assets:					
Loans receivable	—	—	2,153	2,153	—
Prepaid items	—	—	—	—	804
Other long-term assets	—	—	—	—	331
Non-depreciable capital assets	—	—	114,402	114,402	6,897
Depreciable capital assets, net	—	—	22,031	22,031	95,799
Total long-term assets	—	—	141,485	141,485	574,767
Total assets	**492,772**	**117,386**	**282,998**	**893,156**	**1,395,431**

Exhibit B-3

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
LIABILITIES					
Current liabilities:					
Accounts payable	$ 187	$ 15	$ 2,612	$ 2,814	$ 3,803
Accrued salaries and related expenses	—	—	536	536	3,274
Tax refunds payable	16,620	—	—	16,620	—
Unemployment benefits payable	1,564	—	—	1,564	—
Intergovernmental payables	2,840	—	—	2,840	151
Tuition benefits payable	—	—	26,306	26,306	—
Policy claims	—	41,681	7,040	48,721	504,935
Due to other funds	3,754	—	96	3,850	727
Unearned revenues	—	—	3,735	3,735	146,495
Securities lending collateral	28	196	8	232	9,277
Liabilities payable from restricted assets:					
Accrued interest payable	—	—	32	32	221
Other	—	—	2,195	2,195	—
Advances from Federal government	126,000	—	—	126,000	—
Notes payable	—	—	—	—	281
Revenue bonds payable	—	—	155	155	1,965
Limited obligation bonds payable	—	—	—	—	734
Compensated absences payable	—	—	538	538	2,410
Other current liabilities	—	—	83	83	3,689
Total current liabilities	150,993	41,892	43,336	236,221	677,962
Long-term liabilities:					
Tuition benefits payable	—	—	139,364	139,364	—
Policy claims	—	267,861	65,228	333,089	160,551
Interfund payables	—	—	2,153	2,153	5,183
Unearned revenues	—	—	911	911	—
Advances from Federal government	270,501	—	—	270,501	—
Notes payable	—	—	—	—	533
Revenue bonds payable	—	—	6,055	6,055	6,791
Limited obligation bonds payable	—	—	—	—	185
Compensated absences payable	—	—	231	231	1,823
Other long-term liabilities	—	—	4,005	4,005	—
Total long-term liabilities	270,501	267,861	217,947	756,309	175,066
Total liabilities	**421,494**	**309,753**	**261,283**	**992,530**	**853,028**

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Net Position

Exhibit B-3

PROPRIETARY FUNDS (Continued)

June 30, 2014
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
NET POSITION					
Net investment in capital assets	—	$ —	$ 124,223	$ 124,223	$ 92,207
Restricted:					
Expendable:					
Education	—	—	20	20	—
Loan programs	—	—	—	—	17,847
Unemployment compensation benefits	69,230	—	—	69,230	—
Insurance programs	—	—	—	—	234,179
Other	—	—	116,482	116,482	—
Unrestricted	2,048	(192,367)	(219,010)	(409,329)	198,170
Total net position (deficit)	**$ 71,278**	**$ (192,367)**	**$ 21,715**	**$ (99,374)**	**$ 542,403**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Position

Exhibit B-4

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Operating revenues:					
Assessments	$ 480,093	$ —	$ —	$ 480,093	$ —
Charges for services	—	60,043	45,702	105,745	2,392,054
Contributions	—	—	1,317	1,317	—
Interest and other investment income	207	3,422	22,398	26,027	—
Licenses, fees, and permits	—	—	—	—	2
Federal operating grants and contracts	88,790	—	—	88,790	—
Other operating revenues	27,814	—	113	27,927	143,445
Total operating revenues	**596,904**	**63,465**	**69,530**	**729,899**	**2,535,501**
Operating expenses:					
General operations and administration	—	205	26,978	27,183	520,418
Benefits and claims	342,741	2,342	(8,070)	337,013	1,975,202
Tuition plan disbursements	—	—	15,237	15,237	—
Interest	—	—	—	—	15
Depreciation and amortization	—	—	1,035	1,035	8,962
Other operating expenses	—	—	14	14	748
Total operating expenses	**342,741**	**2,547**	**35,194**	**380,482**	**2,505,345**
Operating income (loss)	**254,163**	**60,918**	**34,336**	**349,417**	**30,156**
Nonoperating revenues (expenses):					
Interest income	—	—	175	175	19,417
Contributions	—	—	—	—	1
Federal grants and contracts	—	—	210	210	—
Interest expense	—	—	(95)	(95)	(527)
Net other nonoperating revenues (expenses)	(85)	—	289	204	4,859
Losses on sale of capital assets	—	—	—	—	(47)
Total nonoperating revenues (expenses)	**(85)**	**—**	**579**	**494**	**23,703**
Income before transfers	**254,078**	**60,918**	**34,915**	**349,911**	**53,859**
Transfers in	—	—	49,462	49,462	3,358
Transfers out	(200)	—	(1,362)	(1,562)	(9,408)
Change in net position	**253,878**	**60,918**	**83,015**	**397,811**	**47,809**
Net position (deficit), beginning, as restated	(182,600)	(253,285)	(61,300)	(497,185)	494,594
Net position (deficit) at end of year	**$ 71,278**	**$ (192,367)**	**$ 21,715**	**$ (99,374)**	**$ 542,403**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Cash Flows

PROPRIETARY FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from operating activities:					
Receipts from customers, patients, and third-party payers	$ 35,778	$ —	$ 44,506	$ 80,284	$ 2,204,237
Assessments received	465,026	59,897	—	524,923	—
Grants received	92,628	—	—	92,628	—
Tuition plan contributions received	—	—	3,559	3,559	—
Claims and benefits paid	(375,338)	(32,867)	(41,743)	(449,948)	(2,016,970)
Payments to suppliers for goods and services	—	(202)	(20,439)	(20,641)	(476,121)
Payments to employees	—	(146)	(6,884)	(7,030)	(47,479)
Payments of funds held for others	—	—	—	—	3,248
Internal activity–payments from other funds	—	—	—	—	190,446
Internal activity–payments to other funds	—	—	(5)	(5)	(3,369)
Other operating cash receipts	—	—	917	917	115,269
Other operating cash payments	—	—	—	—	(4)
Net cash provided by (used in) operating activities	**218,094**	**26,682**	**(20,089)**	**224,687**	**(30,743)**
Cash flows from noncapital financing activities:					
Principal payments received from other funds	—	—	—	—	23,094
Advances received from other funds	—	—	—	—	1,015
Principal payments made to other funds	—	—	—	—	(16)
Receipt of interest from other funds	—	—	—	—	663
Repayment of Advances from Federal government	(135,141)	—	—	(135,141)	—
Interest payments on noncapital debt	—	—	(19)	(19)	(10)
Other noncapital financing cash receipts	—	—	1,213	1,213	4,814
Other noncapital financing cash payments	—	—	(2,086)	(2,086)	5,273
Transfers in	—	—	49,462	49,462	3,358
Transfers out	(200)	—	(1,362)	(1,562)	(9,408)
Net cash provided by (used in) noncapital financing activities	**(135,341)**	**—**	**47,208**	**(88,133)**	**28,783**

Exhibit B-5

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Cash flows from capital and related financing activities:					
Acquisition of capital assets	$ —	$ —	$ (61,197)	$ (61,197)	$ (8,820)
Principal payments on limited obligation bonds	—	—	—	—	(1,495)
Principal payments on capital debt	—	—	(150)	(150)	(2,127)
Interest payments on capital debt	—	—	—	—	(695)
Capital grants and gifts received	—	—	194	194	—
Proceeds from sale or disposal of capital assets	—	1	150	151	—
Net cash used in capital and related financing activities	**—**	**1**	**(61,003)**	**(61,002)**	**(13,137)**
Cash flows from investing activities:					
Proceeds from sales and maturities of investments	—	—	2,234	2,234	204,140
Purchase of investments	—	—	(7,234)	(7,234)	(215,550)
Interest and dividends on investments	182	3,422	22,690	26,294	15,821
Net cash provided by investing activities	**182**	**3,422**	**17,690**	**21,294**	**4,411**
Net increase (decrease) in cash and cash equivalents	**82,935**	**30,105**	**(16,194)**	**96,846**	**(10,686)**
Cash and cash equivalents at beginning of year, restated	**263,253**	**86,872**	**39,716**	**389,841**	**611,700**
Cash and cash equivalents at end of year	**$ 346,188**	**$ 116,977**	**$ 23,522**	**$ 486,687**	**$ 601,014**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ 254,163	$ 32,555	$ 34,336	$ 321,054	$ 30,156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	—	—	1,035	1,035	8,962
Provision for bad debts	(8,875)	—	(29)	(8,904)	—
Interest payments reclassified as capital and related financing activities	—	—	—	—	(88)
Interest and dividends on investments and interfund loans	(216)	(3,422)	(22,368)	(26,006)	83
Realized losses on sale of assets	—	(1)	(30)	(31)	3,082
Other nonoperating revenues	—	—	43	43	70
Other nonoperating expenses	—	—	(2,201)	(2,201)	(750)

The Notes to the Financial Statements are an integral part of this statement.

Continued on Next Page

Statement of Cash Flows

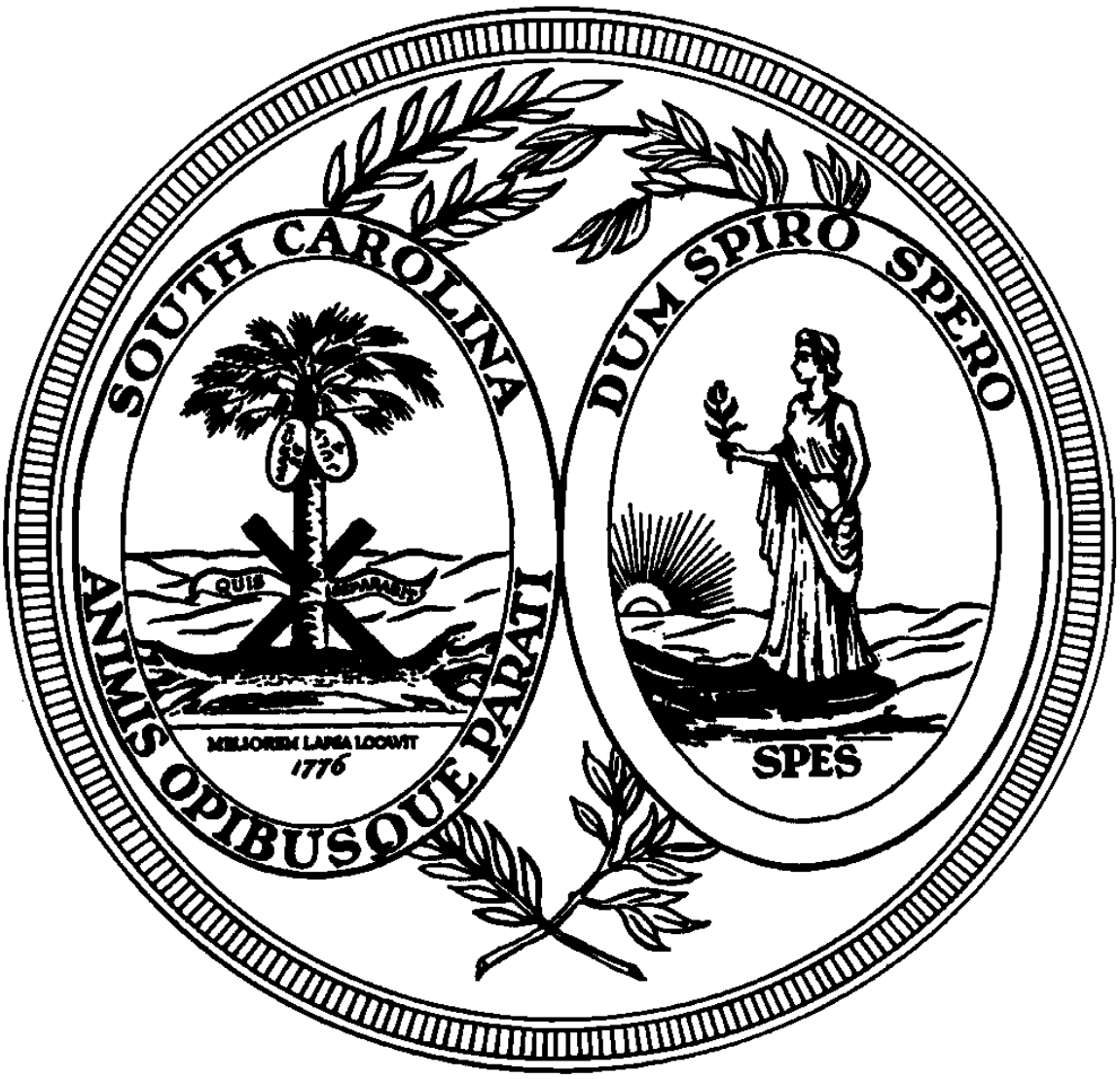
Exhibit B-5

PROPRIETARY FUNDS (Continued)

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	ENTERPRISE FUNDS				
	Unemployment Compensation	Second Injury	Nonmajor Enterprise	Totals	INTERNAL SERVICE FUNDS
Effect of changes in operating assets and liabilities:					
Accounts receivable, net	$ 9,768	$ (141)	$ 2,370	$ 11,997	$ (29,502)
Accrued interest	8	—	—	8	—
Assessments receivable, net	(7,996)	—	—	(7,996)	—
Due from Federal government and other grantors	3,838	—	—	3,838	—
Due from other funds	—	(202)	—	(202)	(271)
Inventories	—	—	61	61	717
Other assets	—	200	(98)	102	5,886
Accounts payable	(173)	3	2,260	2,090	(410)
Accrued salaries and related expenses	—	(77)	30	(47)	(2)
Tax refunds payable	(916)	—	—	(916)	—
Unemployment benefits payable	(5,248)	—	—	(5,248)	—
Tuition benefits payable	—	—	(16,392)	(16,392)	—
Policy claims	—	(2,164)	(18,185)	(20,349)	(44,659)
Due to other funds	(26,259)	—	(1)	(26,260)	(1,338)
Unearned revenues	—	—	(1,084)	(1,084)	(2,828)
Compensated absences payable	—	(69)	38	(31)	165
Other liabilities	—	—	126	126	(16)
Net cash provided by (used in) operating activities	**$ 218,094**	**$ 26,682**	**$ (20,089)**	**$ 224,687**	**$ (30,743)**
Noncash capital, investing, and financing activities:					
Disposal of capital assets	$ —	$ —	$ —	$ —	$ 6,099
Reduction in advances other than payments	(85)	—	—	(85)	—
Increase (decrease) in fair value of investments	—	—	2,314	2,314	(117)
Total noncash capital, investing, and financing activities	**$ (85)**	**$ —**	**$ 2,314**	**$ 2,229**	**$ 5,982**

The Notes to the Financial Statements are an integral part of this statement.


SOUTH CAROLINA
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QUIS SEPARABIT
MELIOREM LAPSA LOCAVIT
1776
SPES

Statement of Fiduciary Net Position

Exhibit B-6

FIDUCIARY FUNDS

June 30, 2014
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust	Agency
ASSETS				
Cash and cash equivalents	$ 3,083,351	$ 2,466,805	$ 20,067	$ 272,315
Receivables, net:				
Accounts	—	2	—	8,475
Contributions	195,502	—	—	—
Accrued interest	42,177	1,357	1,336	218
Unsettled investment sales	850,751	—	2,828	—
Loans and notes receivables	—	—	—	27
Other investment receivables	1,821	—	—	—
Taxes	—	—	—	455
Total receivables	1,090,251	1,359	4,164	9,175
Due from other funds	55,533	—	—	12,588
Investments, at fair value:				
Short term investments	835,867	—	—	—
Debt-domestic	6,340,620	1,350,806	—	—
Debt-international	2,479,437	—	—	—
Equity-domestic	2,528,760	—	—	—
Equity-international	5,929,889	—	—	—
Alternatives	9,256,340	—	—	—
Financial and other	42,734	314,790	2,143,791	—
Total investments	27,413,647	1,665,596	2,143,791	—
Invested securities lending collateral	75,248	—	23	92
Capital assets, net	2,912	—	—	—
Prepaid items	2,348	—	—	—
Other assets	—	—	4,737	—
Total assets	**31,723,290**	**4,133,760**	**2,172,782**	**294,170**
LIABILITIES				
Accounts payable	9,300	—	1,575	8,298
Accounts payable–unsettled investment purchases	711,656	—	2,282	—
Policy claims	271	—	—	—
Due to other funds	55,820	—	—	—
Tax refunds payable	—	—	—	3
Intergovernmental payables	—	—	—	20,709
Deposits	—	—	—	3,668
Amounts held in custody for others	—	—	—	261,180
Deferred retirement benefits	56,901	—	—	—
Securities lending collateral	128,994	—	67	273
Due to participants	—	4,476	—	39
Other liabilities	11,219	—	—	—
Total liabilities	**974,161**	**4,476**	**3,924**	**294,170**
NET POSITION				
Held in trust for:				
Pension and other post-employment benefits	30,749,129	—	—	—
External investment pool participants	—	4,129,284	—	—
Other purposes	—	—	2,168,858	—
Total net position	**$ 30,749,129**	**$ 4,129,284**	**$ 2,168,858**	**$ —**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

Exhibit B-7

FIDUCIARY FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Pension and Other Post-Employment Benefit Trust	Investment Trust Local Government Investment Pool	Private-Purpose Trust
Additions:			
Licenses, fees, and permits	$ —	$ —	$ 38
Contributions:			
Employer	1,617,313	—	—
Employee	751,467	—	—
Deposits from pool participants	—	6,538,350	—
Tuition plan deposits	—	—	127,562
Other	—	—	1,789
Total contributions	2,368,780	6,538,350	129,351
Investment income:			
Interest income and net appreciation in investments	4,574,388	8,404	272,386
Securities lending income	1,768	12	—
Total investment income	4,576,156	8,416	272,386
Less investment expense:			
Investment expense	468,145	—	—
Securities lending expense	5	—	—
Net investment income	4,108,006	8,416	272,386
Assets moved between pension trust funds	2,470	—	—
Total additions	**6,479,256**	**6,546,766**	**401,775**
Deductions:			
Regular retirement benefits	2,631,872	—	—
Supplemental retirement benefits	616	—	—
Deferred retirement benefits	168,999	—	—
Refunds of retirement contributions to members	106,475	—	—
Death benefit claims	21,680	—	—
Accidental death benefits	1,597	—	—
Other post-employment benefits	387,868	—	—
Withdrawals, pool participants	—	6,161,455	—
Distributions to pool participants	—	5,981	—
Depreciation	227	—	—
Administrative expense	13,534	502	10,605
Other expenses	—	—	611
Assets moved between pension trust funds	2,470	—	—
Total deductions	**3,335,338**	**6,167,938**	**11,216**
Change in net assets	**3,143,918**	**378,828**	**390,559**
Net position, beginning, as restated	**27,605,211**	**3,750,456**	**1,778,299**
Net position at end of year	**$ 30,749,129**	**$ 4,129,284**	**$ 2,168,858**

The Notes to the Financial Statements are an integral part of this statement.

Statement of Net Position

DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2014

(Expressed in Thousands)

	Public Service Authority	Medical University of South Carolina	University of South Carolina	Clemson University	State Ports Authority
ASSETS					
Cash and cash equivalents	$ 172,738	$ 297,765	$ 372,978	$ 213,790	$ 155,802
Investments	526,584	123,382	337,805	2,753	15,733
Invested securities lending collateral	—	30	853	410	371
Receivables, net:					
Accounts	189,092	15,574	9,819	10,735	26,667
Contributions	—	12,652	35,733	45,961	—
Accrued interest	2,664	609	1,273	1,255	—
Student accounts	—	423	12,827	5,480	—
Patient accounts	—	227,020	—	—	—
Loans and notes	—	559	616	8,567	—
Due from Federal government and other grantors	—	16,201	22,354	19,197	—
Due from primary government	—	36,050	4,578	9,791	193,201
Inventories	724,010	20,790	2,773	2,223	6,718
Restricted assets:					
Cash and cash equivalents	183,990	74,670	236,262	240,385	—
Investments	871,710	408,474	75,659	600,816	—
Loans receivable	—	12,027	18,497	—	—
Other	—	—	—	—	—
Prepaid items	16,035	25,013	14,245	6,448	5,276
Other assets	859,511	6,727	9,448	2,861	3,974
Other regulatory assets- asset retirement obligation	603,663	—	—	—	—
Investment in joint venture	6,840	—	—	—	—
Capital assets-nondepreciable	2,242,698	159,893	154,693	64,876	430,635
Capital assets-depreciable, net	4,132,353	1,022,110	1,106,466	736,254	313,669
Total assets	$ 10,531,888	$ 2,459,969	$ 2,416,879	$ 1,971,802	$ 1,152,046
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	$ 119,868	$ 59,687	$ 4,813	$ 1,907	$ —
Accumulated decrease in fair value of hedging derivatives	19,367	3,734	—	—	—
Total deferred outflows	$ 139,235	$ 63,421	$ 4,813	$ 1,907	$ —
LIABILITIES					
Accounts payable	$ 208,321	$ 75,304	$ 28,806	$ 21,485	$ 16,446
Accrued salaries and related expenses	7,849	87,663	13,965	17,194	3,857
Accrued interest payable	100,159	2,697	3,901	1,425	6,206
Retainages payable	3,616	780	4,383	289	1,326
Prizes payable	—	—	—	—	—
Intergovernmental payables	—	—	—	—	24
Due to primary government	—	1,093	4,075	—	—
Unearned revenues and asset retirement obligation	1,024,253	30,552	41,986	39,178	—
Deposits	—	—	2,288	1,177	—
Amounts held in custody for others	—	17,852	376	3,277	—
Securities lending collateral	—	90	2,517	1,209	1,094
Liabilities payable from restricted assets:					
Other	—	—	—	—	—
Other liabilities	517,142	68,058	28,137	13,840	13,888
Long-term liabilities:					
Due within one year	155,755	46,816	44,989	31,678	8,977
Due in more than one year	6,456,379	596,631	567,374	185,049	190,920
Total liabilities	$ 8,473,474	$ 927,536	$ 742,797	$ 315,801	$ 242,738
DEFERRED INFLOWS OF RESOURCES					
Accumulated increase in fair value of hedging derivatives	$ 8,146	$ —	$ —	$ —	$ —
Deferred gain on refunding	—	—	—	—	—
Deferred nuclear decommissioning costs	185,849	—	—	—	—
Deferred nonexchange revenues	—	—	—	—	—
Total deferred outflows	$ 193,995	$ —	$ —	$ —	$ —
NET POSITION					
Net investment in capital assets	$ 893,339	$ 632,472	$ 701,292	$ 648,702	$ 544,688
Restricted:					
Expendable:					
Education	—	197,781	180,709	443,155	—
Transportation	—	—	—	—	—
Capital projects	—	59,548	95,973	111,244	—
Debt service	92,662	48,550	10,386	6,697	9,100
Loan programs	—	—	—	—	—
Other	—	—	—	—	—
Nonexpendable:					
Education	—	218,649	278,905	317,054	—
Unrestricted	1,017,653	438,854	411,630	131,056	355,520
Total net position	**$ 2,003,654**	**$ 1,595,854**	**$ 1,678,895**	**$ 1,657,908**	**$ 909,308**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-1

Housing Authority	Nonmajor Component Units	Total
$ 44,466	$ 640,497	$ 1,898,036
—	279,621	1,285,878
34	151	1,849
646	105,259	357,792
—	28,622	122,968
163	1,846	7,810
—	31,839	50,569
—	—	227,020
23,518	86,856	120,116
502	50,792	109,046
1,762	9,091	254,473
—	15,578	772,092
88,730	302,950	1,126,987
225,525	317,916	2,500,100
547,546	13,034	591,104
4,271	26,706	30,977
—	12,953	79,970
353	150,085	1,032,959
—	—	603,663
—	—	6,840
—	243,821	3,296,616
265	1,747,221	9,058,338
$ 937,781	$ 4,064,838	$ 23,535,203
$ —	$ 2,126	$ 188,401
—	—	23,101
$ —	$ 2,126	$ 211,502
$ —	$ 75,854	$ 426,216
836	39,115	170,479
—	8,271	122,659
—	1,480	11,874
—	26,647	26,647
—	431	455
—	55,676	60,844
7,161	159,069	1,302,199
—	11,873	15,338
—	11,262	32,767
101	451	5,462
14,414	3,628	18,042
3,983	25,806	670,854
13,342	76,592	378,149
526,718	1,143,257	9,666,328
$ 566,555	$ 1,639,412	$ 12,908,313
$ —	$ —	$ 8,146
412	—	412
—	—	185,849
—	678	678
$ 412	$ 678	$ 195,085
$ 265	$ 1,342,589	$ 4,763,347
—	164,531	986,176
—	745	745
—	253,600	520,365
63,875	43,163	274,433
264,064	55,683	319,747
—	2,701	2,701
—	239,424	1,054,032
42,610	324,438	2,721,761
$ 370,814	**$ 2,426,874**	**$ 10,643,307**

Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Public Service Authority	$ 1,789,130	$ 1,816,576	$ 1,625	$ —
Medical University of South Carolina	1,869,055	1,758,385	193,896	19,637
University of South Carolina	1,100,388	834,755	338,112	24,364
Clemson University	792,537	569,498	304,684	18,684
State Ports Authority	150,698	159,808	4,039	3,934
Housing Authority	227,823	41,636	199,367	—
Nonmajor component units	3,051,669	2,389,925	710,914	77,237
Totals	**$ 8,981,300**	**$ 7,570,583**	**$ 1,752,637**	**$ 143,856**

The Notes to the Financial Statements are an integral part of this statement.

Exhibit C-2

Net Revenue (Expenses)	Additions to Endowments	Net Position Beginning (Restated)	Net Position Ending
$ 29,071	$ —	$ 1,974,583	$ 2,003,654
102,863	11,843	1,481,148	1,595,854
96,843	14,281	1,567,771	1,678,895
100,329	14,493	1,543,086	1,657,908
17,083	—	892,225	909,308
13,180	—	357,634	370,814
126,407	9,661	2,290,806	2,426,874
$ 485,776	**$ 50,278**	**$ 10,107,253**	**$ 10,643,307**

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Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Scope of Reporting Entity

The South Carolina General Assembly (an elected legislative body) and several elected executives govern the State of South Carolina. The accompanying financial statements present the activities of the State of South Carolina's primary government and its component units.

Component units are legally separate organizations for which the State is accountable for purposes of financial reporting. Blended component units, although legally separate from the State, are part of the State's operations in substance. Accordingly, the State includes blended component units within applicable funds in its fund financial statements and within applicable activities in its government-wide financial statements. In contrast, the State excludes its discretely presented component units from the fund financial statements included within its basic financial statements and it reports the discretely presented component units separately in its government-wide financial statements.

As explained more fully below, the State's primary government and its component units include various State funds, agencies, departments, institutions, authorities, and other organizations.

Primary Government

The State's primary government includes all constitutional offices, departments, agencies, commissions, and authorities unless otherwise noted below.

The State's five defined benefit retirement systems and two post-employment benefit trust funds are part of the State's primary government. The Board of Directors of the South Carolina Public Employee Benefit Authority (PEBA), which consists of eleven members appointed by the Governor and General Assembly leadership, serves as trustee of the systems and the trust funds. The State Budget and Control Board, which consists of five elected officials, also reviews certain decisions made by the PEBA Board of Directors regarding the funding of the retirement systems and serves as a co-trustee of the retirement systems in conducting that review. The State Treasurer is custodian of the funds.

Blended Component Units

Unless otherwise indicated below, the following blended component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2014.

Tobacco Settlement Revenue Management Authority

The Tobacco Settlement Revenue Management Authority, a blended component unit accounted for as a governmental fund, was created in accordance with an act of the General Assembly that resulted from South Carolina's participation in a settlement (the Master Settlement Agreement or MSA) that arose out of litigation that a group of state governments brought against the tobacco industry. The legally separate Authority's primary purposes are (a) to receive all receipts due to South Carolina under the MSA after June 30, 2001, and (b) to issue the Authority's revenue bonds payable solely from, and secured solely by, those receipts. The Authority's governing board is composed of the Governor or her designee, the State Treasurer, the Comptroller General, the Chairman of the Senate Finance Committee, and the Chairman of the House Ways and Means Committee. The State receives the funding from the bond issuances, except in the event that the Authority issues bonds expressly to refund its outstanding bonds.

Palmetto Railways Division

The Palmetto Railways Division of the Department of Commerce, a blended component unit accounted for as an enterprise fund, has a fiscal year ended December 31, 2013.

Obtaining More Information about Blended Component Units

One may obtain complete financial statements for the above blended component units from the following administrative offices:

South Carolina Tobacco Settlement
Revenue Management Authority
122 Wade Hampton Office Building
Columbia, South Carolina 29201
www.treasurer.sc.gov

Palmetto Railways Division
South Carolina Department of Commerce
1201 Main Street, Suite 1600
Columbia, SC 29201-3200

Discretely Presented Component Units

Unless otherwise indicated below, the following discretely presented component units have fiscal years ended June 30, and the accompanying financial statements include component unit financial information for the fiscal year ended June 30, 2014. In determining which discretely presented component units are major, the State considered the significance of each component unit's relationship to the primary government. The following have been identified as the State's major discretely presented component units:

South Carolina Public Service Authority

The State General Assembly created the South Carolina Public Service Authority (Santee Cooper), a public utility company. Its primary purpose is to provide electric power and wholesale water to the people of South Carolina. The Governor appoints its Board of Directors and has the ability to remove the appointed members at will. By law, the Authority must annually transfer to the State's General Fund any net earnings not necessary for prudent business operations. The financial information presented is for the Authority's fiscal year ended December 31, 2013. A financial benefit/burden relationship exists between the State and the Public Service Authority.

Medical University of South Carolina

The Medical University of South Carolina (MUSC) is a legally separate State-supported institution of higher education. MUSC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The management and control of the university is vested in a board of trustees, composed as follows: the Governor or designee, ex officio, fourteen members elected by the General Assembly in joint assembly, and one member appointed by the Governor. A financial benefit/burden relationship exists between the State and MUSC.

University of South Carolina

The University of South Carolina (USC) is a legally separate State-supported institution of higher education. USC is granted an annual appropriation for operating purposes as authorized by the General Assembly. The board of trustees is composed of the Governor (or designee), the State Superintendent of Education, and the President of the Greater University of South Carolina Alumni Association, which three are members ex officio of the board, and seventeen other members including one member from each of the sixteen judicial circuits elected by the general vote of the General Assembly, and one at-large member appointed by the Governor. A financial benefit/burden relationship exists between the State and USC.

Clemson University

Clemson University is a legally separate State-supported, institution of higher education. The University is granted an annual appropriation for operating purposes as authorized by the General Assembly. The University is governed by a board of thirteen members, including six elected by the General Assembly and seven self-perpetuating life members. A benefit/burden relationship exists between the State and Clemson University.

South Carolina State Ports Authority

The State General Assembly created the South Carolina State Ports Authority to develop and improve the State's harbors and seaports. The State Ports Authority owns and operates eight ocean terminals that handle import and export cargo. The Governor appoints the members of the Authority's governing board, except for the Secretary of Transportation and the Secretary of Commerce. Removal of the Governor's appointed members requires a breach of duty or entering into a conflict of interest transaction. The State's primary government has provided financial support to the State Ports Authority in the past, and State law grants the State access to the State Ports Authority's surplus net revenues. A financial benefit/burden relationship exists between the State and the State Ports Authority.

South Carolina State Housing Finance and Development Authority

The South Carolina State Housing Finance and Development Authority is a legally separate entity that facilitates medium-income and low-income housing opportunities by providing reasonable financing to the State's citizens. To provide such financing, the Authority issues bonds and notes and administers federal grants and contracts. Mortgage interest is a primary resource for the Authority. The Governor appoints, with the advice and consent of the Senate, seven persons to be commissioners of the South Carolina State Housing Finance and Development Authority. The Governor appoints the chairman from among the seven commissioners. The State has the ability to impose its will on the Housing Finance and Development Authority.

Other Discretely Presented Component Units (Nonmajor)

The State's government-wide financial statements also include the following nonmajor discretely presented component units in the aggregate:

The Children's Trust Fund of South Carolina, Inc. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations. The Governor appoints the Board of Directors' seventeen members and has the ability to

remove the appointed members at will. The financial information presented is for the Fund's fiscal year ended September 30, 2013.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County. The leasing and operational agreements with the DOT provide the DOT with certain managerial oversight authority. The financial information presented in the accompanying financial statements is for the Association's fiscal year ended December 31, 2013. DOT is responsible for confirming the effectiveness and reasonableness of proposed toll rate changes in order for new toll rates to be established. Toll revenues, to the extent available, in accordance with the amended license agreement, are used to offset the highway maintenance commitments of DOT related to the Southern Connector. The Association is fiscally dependent on DOT for the maintenance of the Southern Connector highway. A benefit/burden relationship exists between the State and the Association.

The South Carolina Education Assistance Authority is a legally separate entity that issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings. Management oversight for the Authority is provided by the State Budget and Control Board.

The South Carolina First Steps to School Readiness is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act. The corporation's governing board is composed of two classes of members, voting and nonvoting. The Board's voting members include the Governor, State Superintendent of Education, ten Governor appointees, four members appointed by the President Pro Tempore of the Senate, four members appointed by the Speaker of the House of Representatives, the Chairman of the Senate Education Committee, and the Chairman of the House Education and Public Works Committee. The State has the ability to impose its will on First Steps to School Readiness.

South Carolina Jobs-Economic Development Authority is a legally separate entity that promotes and develops business and economic welfare in the state. The Authority is governed by a Board of Directors (board) which consists of ten members all appointed by the Governor. The State has the ability to impose its will on the Jobs-Economic Development Authority.

The South Carolina Lottery Commission was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. The Commission is legally separate and is governed by a nine-member board with three members appointed by the Governor, three appointed by the President Pro Tempore of the Senate, and three appointed by the Speaker of the House of Representatives. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs. A benefit/burden relationship exists between the State and the Lottery.

The South Carolina Medical Malpractice Liability Joint Underwriting Association was established to provide medical malpractice insurance on a self-supporting basis. The Association is legally separate and is governed by a board of thirteen directors, all of whom are appointed by the Governor. The Governor has the ability to remove the appointed members at will. The financial information presented is for the Association's fiscal year ended December 31, 2013.

Patriots Point Development Authority is a legally separate entity, established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor. Members of the authority are appointed by the Governor as follows: one upon the joint recommendation of the Chairman of the House Ways and Means Committee and the Speaker of the House, one upon the joint recommendation of the Chairman of the Senate Finance Committee and the President Pro Tempore of the Senate, and three appointed by the Governor. The Governor appoints the chairman. In addition, there are three additional members of the board appointed by the Governor, one appointed upon recommendation of the President Pro Tempore of the Senate, one appointed upon recommendation of the Speaker of the House of Representatives, and one appointed upon recommendation of the State Adjutant General. A financial benefit/burden relationship exists between the State and the Authority.

The following universities are nonmajor component units: The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University, and Winthrop University. The universities are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual university because the State provides significant funding to these institutions.

The following technical colleges are nonmajor component units: Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Technical College of the Lowcountry, Tri-county Technical College, Trident Technical College, Williamsburg Technical College, and York Technical College. The colleges are legally separate entities, with boards appointed by the State. A benefit/burden relationship exists between the State and each individual college because the State provides significant funding to these institutions.

Obtaining More Information about Discretely Presented Component Units

One may obtain stand-alone financial statements for discretely presented component units from the following administrative offices:

South Carolina Public Service Authority
(Santee Cooper)
One Riverwood Drive
Post Office Box 2946101
Moncks Corner, South Carolina 29461
www.santeecooper.com

South Carolina State Ports Authority
Post Office Box 22287
Charleston, South Carolina 29413
www.port-of-charleston.com

South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Boulevard
Columbia, South Carolina 29210
http://www.schousing.com

Universities:
Medical University of South Carolina
University of South Carolina
Clemson University
The Citadel
Coastal Carolina University
College of Charleston
Francis Marion University
Lander University
South Carolina State University
Winthrop University
http://www.che.sc.gov

Technical Colleges:
Aiken Technical College
Central Carolina Technical College
Denmark Technical College
Florence-Darlington Technical College
Greenville Technical College
Horry-Georgetown Technical College
Technical College of the Lowcountry
Midlands Technical College
Northeastern Technical College
Orangeburg-Calhoun Technical College
Piedmont Technical College
Spartanburg Community College
Tri-county Technical College
Trident Technical College
Williamsburg Technical College
York Technical College
http://www.che.sc.gov

Children's Trust Fund of South Carolina
1205 Pendleton Street, Suite 506
Columbia, South Carolina 29201
www.scchildren.org

Connector 2000 Association, Inc.
Post Office Box 408
Piedmont, South Carolina 29673
www.southernconnector.com

South Carolina Education Assistance Authority
Post Office Box 102425
Columbia, SC 29224
https://www.scstudentloan.org

South Carolina First Steps to School Readiness
1300 Sumter Street, Suite 100
Columbia, SC 29201
http://www.scfirststeps.org

South Carolina Jobs-Economic Development Authority
1201 Main Street, Suite 1600
Columbia, SC 29201
http://www.scjeda.com/

South Carolina Lottery Commission
Post Office Box 11949
Columbia, South Carolina 29211
www.sceducationlottery.com

South Carolina Medical Malpractice Liability Joint Underwriting Association
c/o Patient's Compensation Fund
121 Executive Center Drive
Suite 110
Columbia, South Carolina 29210
www.scjua.com

Patriots Point Development Authority
40 Patriots Point Road
Mount Pleasant, SC 29464
http://www.patriotspoint.org

Related Organizations

A related organization is one for which the primary government is accountable but not *financially accountable.* The South Carolina Reinsurance Facility, the Associated Auto Insurers Plan, regional housing authorities, and the Rural Crossroads Institute are related organizations because the State is not financially accountable for them despite the fact that the Governor appoints a voting majority of their governing boards. County boards of disabilities and special needs and redevelopment authorities are related organizations if the Governor appoints a voting majority of the members.

Jointly Governed Organizations

The Governor, in conjunction with officials of certain local governments, appoints the board members of three military-defense facility redevelopment authorities. The three authorities include the Charleston Naval Complex Redevelopment Authority, the Myrtle Beach Air Force Base Redevelopment Authority and the Savannah River Site Redevelopment Authority. The State does not have an ongoing financial interest in these authorities.

The State of South Carolina is a member state within the Atlantic Low-Level Radioactive Waste Compact, a voluntary association of states that, by federal law, is legally separate from each of the member states. South Carolina does not have an ongoing financial interest in the Compact.

b. Basis of Presentation

Government-wide Financial Statements

The statement of net position and the statement of activities report information about all activities of the primary government and its component units, except for fiduciary activities. These statements distinguish between the State's *governmental* and *business-type activities.* Taxes, federal revenues, and other nonexchange transactions primarily finance the governmental activities whereas fees charged to external parties finance, in whole or in part, the business-type activities. All of the State's governmental and internal service funds are reported in the government-wide financial statements as governmental activities and all of its enterprise funds are reported as business-type activities. (See the *Fund Financial Statements* subsection for more information about fund types.)

Statement of Activities and Eliminations

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the State and for each function of the State's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The State does not eliminate direct expenses and does not allocate indirect expenses to functions in the statement of activities. In the statement of activities, reimbursements under indirect cost plans for federal reimbursement purposes are reported as program revenues of the function that includes the reimbursed expenses.

Eliminations have been made to minimize the double-counting of internal activities. For example, the State eliminates payments the Department of Health and Human Services makes to the Department of Mental Health for providing Medicaid services because it reports both departments in its health and environment function. An exception to this general rule is that interfund services provided or used between functions have not been eliminated in the statement of activities because to do so would distort the net cost for functional activities as reported in the total column of that statement. The State treats these internal payments as program revenues and treats interfund reimbursements in the statement of activities in the same manner as described below for fund financial statements.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods, services, or privileges offered by the programs; (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and (c) investment earnings that are legally restricted for a specific program. The State classifies as *general revenues* all revenues that are not program revenues, including all taxes.

Fund Financial Statements

The fund financial statements provide information about the State's funds, including its fiduciary funds and blended component units. The State presents separate statements for each fund category—governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental and enterprise funds, with each displayed in a separate column. The State aggregates and reports as nonmajor funds all remaining governmental and enterprise funds.

The State eliminates material intrafund activity. It also treats interfund reimbursements (repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them) as reductions of expenditure/expense in the initial fund. For example, the Department of Motor Vehicles (reported within the general government function) used office supplies and postage provided by the Department of Public Safety (reported within the administration of justice function). The Department of Public Safety initially recorded expenditures for the office supplies and postage in the General Fund. The Department of Motor Vehicles later reimbursed the Department of Public Safety with monies from a Special Revenue Fund. That is, the Department of Motor Vehicles recorded Special Revenue Fund expenditures while the Department of Public Safety reduced its General Fund expenditures by the same amount.

Governmental Funds

Governmental funds focus primarily on the sources, uses, and balances of current financial resources. The governmental fund category includes the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Permanent Funds. The State reports the following major governmental funds:

The *General Fund* is the State's general operating fund. It accounts for resources that fund the services South Carolina's State government traditionally has provided to its citizens, except those required to be accounted for in another fund.

The *Departmental Program Services Fund* accounts for restricted resources that State agencies use for continued programmatic accomplishments. These resources include significant amounts of federal grant receipts.

The *Local Governmental Infrastructure Fund* accounts for grants, loans, and other financial assistance to local governments for infrastructure purposes. Certain motor fuel taxes, federal funds, and transfers from other funds are the fund's primary resources. This fund includes operations of the South Carolina Transportation Infrastructure Bank.

The *Department of Transportation Special Revenue Fund* accounts for the various gasoline taxes, fees, fines, and federal grant resources that the Department of Transportation uses in its general operations. Those operations include highway maintenance and repair as well as most of the Department's administrative activities.

The State aggregates other nonmajor governmental funds in a single column in its fund financial statements.

Enterprise Funds

Enterprise funds (which are reported as business-type activities in the government-wide financial statements) report activities that charge fees to external users for goods or services. The State reports the following major enterprise fund:

The *Unemployment Compensation Fund* accounts for the State's unemployment compensation benefits. Revenues consist of federal grants and assessments on employers to pay benefits to qualified unemployed persons.

The *Second Injury Fund* serves as a claims processor for insurance carriers, self-insurers, and the State Accident Fund. The fund processes claims of employees with existing permanent physical impairment who are further injured in the course of their subsequent employment.

The State aggregates other nonmajor enterprise funds in a single column in its fund financial statements.

Other Fund Types

The State reports the following fund types in addition to governmental and enterprise funds:

Internal service funds account for various goods and services provided to other State departments or agencies (primarily to governmental funds), or to other governments, on a cost-reimbursement basis. Services provided by these funds include several risk management activities for which the State is the primary participant, including underwriting related to the following risks: public buildings and their contents, torts, medical malpractice, automobile use by public employees in the performance of their official duties, employee health and disability, and workers' compensation benefits. Other services include those relating to telecommunications, computer operations, office rental, janitorial, building maintenance, lease and repair of fleet vehicles, procurement, and employee training. The internal service funds also sell goods produced with prison inmate labor. In addition, the internal service funds purchase selected supplies and equipment in bulk and sell these items to other State funds (primarily governmental funds) and to local governmental units. The State's internal service funds are considered to be governmental activities because they primarily serve governmental funds.

Pension and post-employment benefit trust funds account for the pension benefits of the South Carolina Retirement System, the Police Officers' Retirement System, the General Assembly Retirement System, the Judges' and Solicitors' Retirement System, and the National Guard Retirement System, and the post-employment health, dental, and long-term disability insurance benefits provided by the State to its retirees.

The State's *investment trust fund* acts as a local government investment pool that the State Treasurer operates.

Private-purpose trust funds include a tuition savings plan benefiting college students and miscellaneous other trust agreements holding assets that benefit non-State parties.

Agency funds account for assets that the State holds as an agent. These assets include amounts held for prisoners, patients of State institutions, and other external parties.

Operating and Nonoperating Revenues and Expenses in Proprietary Fund Financial Statements

Enterprise and internal service funds distinguish *operating* revenues and expenses from *nonoperating* revenues and expenses. Operating revenues and expenses are items resulting from the provision of services and goods in connection with the fund's principal ongoing operations. The State classifies revenues and expenses as operating if the substance of the transaction is an exchange transaction. Accordingly, grants and grant-like transactions are reportable as operating revenues only if they are essentially contracts for services whereby they finance programs that the proprietary fund would not otherwise undertake (i.e., the activity of the grant is inherently part of the operations of the grantor). Conversely, the State classifies nonexchange transactions as nonoperating. This includes all grant revenues except those reportable as operating revenue as described above and those restricted by the grantor for use exclusively for capital purposes. The State reports as operating expenses those paid from operating revenues except financing related expenses such as interest expense, which is reported as nonoperating.

For the *Unemployment Compensation Fund,* principal operating revenues include amounts received from covered employers and from federal agencies. The amounts received from federal agencies are classified as operating revenues because they are provided to the State primarily to provide unemployment benefits, although amounts not needed for that purpose may be used for other purposes. This fund's operating expenses consist primarily of unemployment compensation benefits paid.

Component Unit Financial Statements

The State presents a statement of net position and a statement of activities for each of its major discretely presented component units and for the aggregate of its nonmajor discretely presented component units.

c. Measurement Focus and Basis of Accounting

A particular measurement focus determines *what* resources are measured. The State reports its government-wide, proprietary, and fiduciary fund (other than agency fund) financial statements using the *economic resources* measurement focus. Agency funds report only assets and liabilities; and therefore cannot be said to have a measurement focus. Private – sector business enterprises also use the economic resources measurement focus. The State reports its governmental funds using the *current financial resources* measurement focus.

The basis of accounting determines *when* the State recognizes revenues and expenditures/expenses as well as the related assets and liabilities, regardless of measurement focus. Generally accepted accounting principles for governments require the use of the accrual and the modified accrual basis of accounting as described below.

Accrual Basis

The State uses the accrual basis of accounting in reporting its government-wide financial statements, as well as its proprietary and fiduciary fund financial statements and its major component unit financial statements. Under the accrual basis, the State generally records revenues when earned and reasonably measurable and records expenses when a liability is incurred, regardless of the timing of related cash flows. Revenues collected in advance are deferred until the period in which they are earned.

Significant nonexchange transactions, in which the State gives (or receives) value without directly receiving (or giving) equal value in exchange, include taxes, grants, and donations. On the accrual basis, the State recognizes taxes (income, sales, and similar) in the period when the underlying income or sales transactions occur, net of estimated overpayments or refunds. Grants, donations, and similar items are recognized as revenue as soon as the State meets all eligibility requirements. Pledges are recognized as receivables and revenues, net of estimated uncollectible amounts, if all eligibility requirements are met, the promise is verifiable, and the resources are measurable and probable of collection.

Modified Accrual Basis

Governmental fund financial statements are reported using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the State considers revenues to be available if they are collected within one month of the end of the current fiscal period with the following exceptions: tax and grant revenues are considered available if collected within one year; interest on investments is recorded as earned because it is deemed available when earned. Receivables not expected to be collected within the established availability periods are offset by unearned revenues.

Recognition of Specific Grant and Shared Revenue Transactions

The State reports the receipt of food commodities as revenue and the distribution of commodities as expenditure or expense. The fair value of the donated commodities is recognized as revenues when all eligibility requirements are met.

The State recognizes the face value of food stamp benefits distributed as revenue and expenditure or expense under both the accrual and modified accrual bases of accounting.

The State shares certain of its revenues with municipalities, counties, and districts within its borders, recognizing expenditure or expense when the recipient government has met all eligibility requirements.

d. Cash and Cash Equivalents

The amounts shown in the accompanying financial statements as *cash and cash equivalents* represent cash on hand, cash on deposit in banks and savings associations, and cash invested in various instruments as a part of the State's cash management pool, an internal investment pool. Because the cash management pool operates as a demand deposit account, amounts invested in the pool are classified as cash and cash equivalents. The State Treasurer administers the cash management pool. The pool includes some long-term investments such as obligations of the United States, government sponsored entities, and domestic corporations, certificates of deposit, and collateralized repurchase agreements. *Restricted cash and cash equivalents* represents cash on deposit with external parties held for compliance with laws, regulations, and contractual obligations.

Most entities in the primary government and the discretely presented governmental component units participate in the cash management pool. Significant exceptions include: retirement plans, the Local Government Investment Pool (an external investment pool), and the Tobacco Settlement Revenue Management Authority (a blended component unit and a nonmajor governmental fund). Of the discretely presented component units, the State Ports Authority, the Housing Authority, and the South Carolina First Steps to School Readiness Board of Trustees participate in the pool. For activities excluded from the pool, cash equivalents include investments in short-term, highly liquid securities having a maturity at the time of purchase of three months or less.

e. Cash Management Pool–Allocation of Interest

The State's cash management pool consists of a general deposit account and several special deposit accounts. The State records each fund's equity interest in the general deposit account. All earnings on that account are recorded in the General Fund. In contrast, each special deposit account retains its own earnings.

f. Investments

The State Treasurer is authorized by statute to invest all State funds. The State Treasurer's investment objectives are preservation of capital, maintenance of adequate liquidity, and obtaining the best yield possible within prescribed parameters. To meet those objectives, the State Treasurer uses various resources including an investment advisory service, electronic financial quotation and information services, various economic reports, and daily communication with brokers and financial institution investment officers.

To insure safety of principal, the State Treasurer's policy is to limit liquid investments (i.e., those with maturities not exceeding one year) to cash, repurchase agreements (when collateralized by United States Treasury or federal agency obligations with a market value in excess of 100.0% of funds advanced), United States Treasury bills, federal agency discount notes, and commercial paper. The State Treasurer further preserves principal by investing in only the highest investment grade securities (i.e., those rated at least A by two leading national rating services). In order to diversify investment holdings, asset allocation policies are utilized for investments having more than one year to maturity. Overall credit exposure is managed by asset allocation policies and by additional constraints controlling risk exposure to individual corporate issuers.

Certain agencies and component units have specific authority to manage deposits and investments under their control. The investment policies of these entities may differ from those of the State Treasurer.

State law has established a six-member Investment Commission with fiduciary responsibility for investment of all of the State Retirement Systems' investments. The chief investment officer may invest no more than 70.0% of the Systems' investment portfolio in equity securities.

Substantially all of the State's investments are presented at fair value; securities are valued at the last reported sales price as provided by an independent pricing service.

The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. The LGIP's complete financial statements may be obtained by writing to the following address:

Office of State Treasurer
Local Government Investment Pool
Post Office Box 11778
Columbia, South Carolina 29211

g. Receivables and Payables

The State records amounts receivable from parties outside the primary government net of allowances for uncollectible amounts and contractual adjustments. It estimates uncollectible amounts based on past collection experience. The State discloses the allowances for uncollectible receivables and the net receivables not expected to be collected within one year in Note 5. Further, the State disaggregates its receivable balances in Note 5 if any significant components thereof have been obscured in the financial statements by aggregation or if different components of receivables have significantly different liquidity characteristics.

The State presents balances outstanding at the end of the fiscal year that relate to lending/borrowing arrangements between funds as interfund receivables and payables and reports all other outstanding balances between funds as due to/from other funds. The government-wide statement of net position displays internal balances that involve fiduciary funds as accounts receivable and accounts payable. The State reports as internal balances any residual balances outstanding between the governmental and business-type activities in the government-wide financial statements.

h. Inventories

The State values its inventories at the lower of cost or market, predominantly using the first-in, first-out methodology for its proprietary funds and its business-type activities and predominantly using the average cost methodology for its other funds and activities and its discretely presented component units. The State records expenditures in governmental funds when it consumes inventory items rather than when it purchases them.

i. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods. The State records these payments as prepaid items in both the government-wide and fund financial statements. The state's policy is to reflect consumption of the future benefit under the consumption method.

j. Capital Assets

The State reports its capital assets in the following categories in the applicable governmental or business-type activities in the government-wide financial statements: land and land improvements, infrastructure (i.e., highways and bridges), buildings and improvements, construction in progress, vehicles, machinery and equipment, works of art and historical treasures, and intangible assets.

Capital assets are valued at historical cost or at estimated historical cost if actual historical cost data is not available. Donated capital assets are recorded at estimated fair value on the donation date. Infrastructure assets acquired prior to fiscal years ended after June 30, 1980, are reported at cost beginning in the year 1917. The costs of normal maintenance and repairs that do not significantly add to the value of an asset or materially extend an asset's useful life are not capitalized. Cumulative costs incurred on major capital assets under construction but not yet placed in service are capitalized and reported as construction in progress. Net interest incurred by a proprietary fund during the construction phase of a major capital asset is included as part of the capitalized value of such asset.

An individual asset is capitalized and reported if it has an estimated useful life of at least two years and a historical cost as follows: more than $5 thousand for vehicles, machinery and equipment, and works of art and historical treasures; more than $100 thousand for buildings and improvements, depreciable land improvements, and intangible assets; and more than $500 thousand for roads and bridges. All land and non-depreciable land improvements are capitalized and reported, regardless of cost.

Once the State or one of its discretely presented component units places a depreciable capital asset in service, depreciation is recorded using the straight-line method over the following estimated useful lives:

Asset Category	Years
Land Improvements	3 - 60
Infrastructure--highways	75
Infrastructure--bridges	50
Buildings and Improvements	5 - 55
Vehicles	3 - 20
Machinery and equipment	2 - 25
Works of art; historical treasures	10 - 25
Intangible assets	3 - 38

The State does not depreciate land, non-depreciable land improvements, and construction in progress. The State does not depreciate capitalized individual works of art and historical treasures determined to have inexhaustible useful lives and does not capitalize collections of works of art and historical treasures that are held for public use, are protected and preserved, and are subject to a policy that requires the proceeds from sales of collection items to be used to acquire other items for collections. These non-capitalized collections include historical relics, antiques, fossils, and other South Carolina artifacts.

In the government-wide statement of activities, the State reports losses on disposal of capital assets as expense of its General Government function and gains on such disposal as general revenue.

k. Other regulatory assets- asset retirement obligation

These costs to be recovered from future revenues of the South Carolina Public Service Authority (a regulated utility reported as a major discretely presented component unit) are recorded as other regulatory assets- asset retirement obligation. The Authority's rates are based upon debt service and operating fund requirements. The Authority recognizes differences between debt principal maturities and straight-line depreciation as costs to be recovered from future revenue. The recovery of outstanding amounts recorded as costs to be recovered from future revenue will coincide with the repayment of the outstanding long-term debt of the Authority.

Losses and gains on bond refundings are reported as deferred outflows or inflows of resources, respectively, and are amortized as described in Note 1m.

l. Tax Refunds Payable

Most of the tax refunds payable balance in the General Fund relates to individual income tax. During the calendar year, the State collects employee withholdings and taxpayers' payments. Taxpayers file returns by April 15 for the preceding calendar year. At June 30, the State estimates the amount it owes taxpayers for overpayments during the preceding six months. The State records this estimated payable as tax refunds payable and a reduction of tax revenues.

m. Long-Term Obligations

The State records general long-term debt and other long-term obligations of the primary government's governmental funds in the governmental activities reported in its government-wide financial statements. Long-term debt and other obligations financed by proprietary funds are recorded as liabilities in the appropriate funds.

The State defers and amortizes bond premiums and discounts, as well as losses on bond refundings, over the life of the bonds predominantly using the effective interest method. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is also deferred and amortized over the shorter of the remaining life of the old debt or the life of the new debt and are recognized as deferred outflows or inflows of resources. The State reports bonds payable net of the applicable bond premium or discount.

n. Compensated Absences

During their first ten years of service, most full-time permanent State employees annually earn 15 days of vacation leave and 15 days of sick leave. After ten years, most employees earn an additional 1.25 days of vacation leave for each year of service over ten until they reach the maximum of 30 days per year. Sick leave earnings remain at 15 days per year. Employees may carry forward up to 45 days of vacation leave and 180 days of sick leave from one calendar year to the next. Upon termination of employment, the State pays employees for accumulated vacation leave at the pay rate then in effect. Employees do not receive pay for accumulated sick leave when they terminate. However, at retirement, employees hired prior to July 1, 2012 participating in the South Carolina Retirement System and the South Carolina Police Officers' Retirement System may receive additional service credit for up to 90 days of accumulated unused sick leave.

The government-wide and proprietary fund statements record an expense and a liability when employees earn compensated absence credits. Governmental fund financial statements record a liability for compensated absences payable at June 30 only if the liability for accumulated vacation leave has matured but has not yet been paid at that date (for example, as a result of employee resignations and retirements). The State does not record a liability for unpaid accumulated sick leave.

o. Net Position and Fund Balance

The State reports a portion of its net position or fund balance in its government-wide and fund financial statements as restricted. Net position or fund balance, for enterprise or governmental fund types respectively, are reported as restricted when constraints placed on resource use are either (a) externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandates payments of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups, or the judiciary) can compel the government to honor. At June 30, 2014, $508.231 million was reported as restricted net position because of restrictions imposed by enabling legislation.

The State reports other constraints in its fund balance in the governmental funds as committed or assigned. Fund balance is reported as committed if either a state statute or constitutional provision constrains the use of resources of the state. Committed constraints can be removed only through similar action that created the constraint, either legislation amending or repealing the statute or ratification of a constitutional change by the electorate. Assigned fund balance is constrained through appropriation actions of the legislature. The removal of constraints for assigned funds occurs through the budgetary process. Non-spendable fund balance in the governmental funds reflects the lack of availability in form or substance of the assets and liabilities reported in the fund to meet obligations of the fund in the near future.

p. Flow Assumption, Net Position or Fund Balance

The State's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available. Within the unrestricted fund balance, committed resources would be first applied, when available, followed by assigned resources before unassigned resources are used.

q. Deferred Outflows/Inflows of Resources

A deferred outflow/inflow of resources is a consumption/acquisition of net assets that is applicable to a future reporting period. The State has recorded deferred outflows/inflows in connection with the change in fair value of hedging derivatives, deferred amounts on bond refundings, nuclear decommissiong costs and non-exchange revenues.

NOTE 2: ACCOUNTING AND REPORTING CHANGES

Adoption of New Accounting Standards

For the fiscal year ended June 30, 2014, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Statement No. 65) establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. See Note 14 on pages 139 – 140 for the effects of this pronouncement on the State's total beginning fund equity.

Statement No. 66, *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62* (Statement No. 66) was established to resolve conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

Statement No. 66 amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the General Fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.*

Statement No. 66 also amends Statement 62 by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current (normal) servicing fee rate. These changes clarify how to apply Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and result in guidance that is consistent with the requirements in Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively.

Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25* (Statement No. 67) replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of Statement 67 and to defined contribution plans that provide postemployment benefits other than pensions. Statement 67 also details the note disclosure requirements for defined contribution pension plans administered through trusts that meet the identified criteria. The implementation of this statement was retroactive and thus the State restated its pension funds beginning balances. See Note 14, Fund Equity Reclassifications and Restatements, on page 139 for further detail.

Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (Statement No. 70) is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Statement 70 specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, Statement 70 requires new information to be disclosed by governments that receive nonexchange financial guarantees. Only nonmajor discretely presented component units of the State had such guarantees as of June 30, 2014.

GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB No. 27* (Statement No. 68) in June 2012. This pronouncement takes effect for fiscal years beginning after June 15, 2014. The State is in the process of determining the effect of implementing Statement No. 68, but it is expected to have a material effect on the financial position of the State.

NOTE 3: DEFICITS OF INDIVIDUAL FUNDS

The accompanying fund financial statements display deficit fund balances and deficit net position balances for individual major funds, if applicable. Nonmajor funds had the following deficit net position balances (expressed in thousands) at June 30, 2014:

Nonmajor Enterprise Funds:	
Patients' Compensation	$ 63,194
Tuition Prepayment Program	57,430
Internal Service Funds:	
State Accident Fund	$ 24,647

Actions taken to eliminate deficits include increase of existing fees, assessment of additional fees, purchase of excess loss reinsurance, and implementation of cost containment programs.

NOTE 4: DEPOSITS AND INVESTMENTS

By law, all deposits and investments are under the control of the State Treasurer except for those that, by specific authority, are under the control of other agencies or component units. The deposit and investment policies of those entities may differ from those of the State Treasurer. Typically, those agencies follow the deposit and investment policies of the State Treasurer in an effort to minimize deposit and investment risks.

a. Deposits

The following deposits disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems (the Systems) which are described in section e of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section f of this note.

Deposit Policy

The State's deposit policy, by law, requires all banks or savings and loan associations that receive State funds deposited by the State Treasurer, to secure the deposits by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against any loss. Agencies, with specific authority to manage their deposits outside of the State Treasurer, may have custodial credit risk policies that differ from that of the State Treasurer. Therefore, some deposits presented below have custodial credit risk. Note 1, sections d and e explain other policies concerning deposits.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the State will not be able to recover the value of the deposits with the collateral securities that are in the possession of an outside party. Deposits include cash and cash equivalents on deposit in banks and non-negotiable certificates of deposit. All deposits under the control of the State Treasurer are fully insured or collateralized. The reported amount of the State Treasurer's deposits as of June 30, 2014 was $314.988 million and the bank balance was $706.600 million. As of June 30, 2014, the reported amount of the primary government's deposits outside of the State Treasurer was $94.132 million and the bank balance was $94.245 million. Of the $80.515 million bank balance exposed to custodial credit risk, $30 thousand was uninsured and uncollateralized, $4.042 million was uninsured and collateralized with securities held by the pledging financial institution, and $76.443 million was uninsured and collateralized with securities held by the counterparty's trust department or agent but not in the State's name.

As of June 30, 2014, the reported amount of the major discretely presented component units' deposits was $356.970 million and the bank balance was $363.298 million. Of the $283.357 million bank balance exposed to custodial credit risk, $106.598 million was uninsured and uncollateralized, $101.167 million was uninsured and collateralized with securities held by the pledging financial institution, and $75.592 million was uninsured and collateralized with securities held by the counterparty's trust department or agent, but not in the State's name.

b. Investments

The following investment disclosure excludes the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section e of this note and the primary government's Other Post-Employment Benefit Trust Funds which are described in section f of this note.

Investment Policy

The State's investment policy, by law, authorizes investments that vary by fund, but generally include obligations of the United States and government sponsored entities, obligations of the State of South Carolina and certain of its political subdivisions, certificates of deposit, collateralized repurchase agreements, certain corporate bonds, and commercial paper. Substantially all of the State's investments are presented at fair value. Securities are valued at the last reported sales price as provided by an independent pricing service. Investment income consists of realized and unrealized appreciation (depreciation) in the fair value of investments and interest income earned. Agencies with specific authority to manage their own investments may have custodial credit risk policies that differ from that of the State Treasurer. Other investment policies for the State and its component units are explained in Note 1, section f.

Custodial Credit Risk

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. The primary government's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty. The portion of the primary government's investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2014, as follows:

Primary Government Investment Type	Reported Amount
U.S. treasuries	$ 460,660
U.S. agencies	900,578
Mortgage backed obligations	398,491
Equity securities	3,124
Corporate bonds	4,084,985
Muncipal bonds	5,969
Repurchase agreements	500,035
Asset backed securities	3,945
Commercial paper	2,862,696
Other	46,526
Totals	**$ 9,267,009**

The major discretely presented component unit's investments that are exposed to custodial credit risk include investment securities that are uninsured, not registered in the name of the State, and are held by a counterparty's trust department or agent but not in a State entity's name. The portion of the State's major discretely presented component units investments with custodial credit risk is detailed (expressed in thousands) at June 30, 2014, as follows:

DCU Investment Type	Reported Amount
U.S. treasuries	$ 119,826
U.S. agencies	1,441,272
Mortgage backed obligations	179,262
Corporate bonds	44,561
Repurchase agreements	238,599
Common stock	148,979
Other equity securities	645,492
Asset backed securities	10,760
Commercial paper	19,988
Money market mutual funds	63,226
Mutual Bonds Funds	130,009
Guaranteed investment contracts	529
Other	342,260
Totals	**$ 3,384,763**

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. Credit risk exposure is primarily limited to debt instruments and other hybrid equity securities. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade debt securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. Agencies with specific authority to manage their own investments may have credit risk policies that differ from that of the State Treasurer. Debt instruments held for investment for the primary government were rated as of June 30, 2014 using the Standard and Poor's rating scale or Moody's, when no other rating was available, as follows (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A / A1/ A2	BBB	BB / B	Not Rated
Asset backed securities	$ —	$ —	$ —	$ —	$ —	$ 3,945
Corporate bonds	56,019	891,645	1,963,319	1,089,189	20,673	64,140
Municipal bonds	—	5,969	—	—	—	—
Repurchase agreements	—	—	500,035	—	—	—
Commercial paper	—	—	2,862,696	—	—	—
Other	—	—	30,300	—	—	16,226
Totals	**$ 56,019**	**$ 897,614**	**$ 5,356,350**	**$1,089,189**	**$ 20,673**	**$ 84,311**

At fiscal year end, the Clemson University (June 30, 2014), the State Housing Authority (June 30, 2014), the Medical University of South Carolina (June 30, 2014), State Ports Authority (June 30, 2014), the Public Service Authority (December 31, 2013), and the University of South Carolina (June 30, 2014), all major discretely presented component units, held investments in U.S. government securities which do not require disclosure of credit quality. In addition to U.S. Government securities, Clemson University, the State Housing Authority, the Medical University of South Carolina, the State Ports Authority, Public Service Authority, and the University of South Carolina held investments as listed below with Standard and Poor's rating scale (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BBB	Not Rated
Corporate bonds	$ —	$ 13,388	$ 29,478	$ 1,695	$ —
Repurchase agreements	—	—	—	—	238,599
Asset backed securities	—	—	—	—	10,760
Commercial paper	—	—	19,988	—	—
Money market mutual funds	34,418	—	—	—	28,808
Mutual bond funds	—	—	—	—	130,009
Guaranteed investment contracts	—	—	—	—	529
Other	—	—	—	—	279,468
Totals	**$ 34,418**	**$ 13,388**	**$ 49,466**	**$ 1,695**	**$ 688,173**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2014, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 150,541	$ 75,469	$ 75,072	$ —	$ —
U.S. agencies	900,578	145,692	172,739	92,582	489,566
Mortgage backed obligations	398,491	37	11,645	89,317	297,492
Asset backed securities	3,945	—	—	3,945	—
Corporate bonds	4,084,985	659,559	2,858,862	545,430	21,133
Municipal bonds	5,969	—	5,969	—	—
Repurchase agreements	500,035	500,035	—	—	—
Commercial paper	2,862,696	2,862,696	—	—	—
Other	30,300	30,300	—	—	—
Totals	**$ 8,937,540**	**$4,273,787**	**$3,124,287**	**$ 731,274**	**$ 808,191**

Agencies that manage their own investments may have interest rate risk policies that differ from that of the State Treasurer. Some of these agencies may not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates. At June 30, 2014, agencies within the State's primary government that manage their own investments limited the maturities of their interest-earning securities according to the following segmented time distribution (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 20,583	$ 406	$ 19,731	$ 446	$ —
U.S. agencies	402,848	—	397,254	5,302	292
Mortgage backed obligations	14,414	—	1,754	—	12,660
Corporate bonds	1,758,204	1,541	1,421,184	335,437	42
Municipal bonds	90,046	305	—	81,462	8,279
Repurchase agreements	1,368,398	1,365,910	—	2,488	—
Asset backed securities	4,674	4,674	—	—	—
Commercial paper	1,469,621	1,469,621	—	—	—
Mutual funds	8,391	6,675	—	—	1,716
Other	523	—	—	331	192
Totals	**$ 5,137,702**	**$ 2,849,132**	**$ 1,839,923**	**$ 425,466**	**$ 23,181**

The State's major discretely presented component units may have interest rate risk policies that differ from that of the State Treasurer. At June 30, 2014, these major discretely presented component units had the following fixed income investments with maturities disclosed by investment category and segmented time distribution stated with fair value (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years) Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 119,826	$ 36,767	$ 1,047	$ 80,072	$ 1,940
U.S. agencies	1,441,272	524,943	870,055	641	45,633
Mortgage backed obligations	179,262	—	—	1,791	177,471
Common Stock	148,979	—	—	—	—
Other equity securities	645,492	—	—	—	—
Corporate bonds	44,561	4,568	21,271	3,824	14,899
Repurchase agreements	238,599	238,599	—	—	—
Asset backed securities	10,760	—	—	—	—
Commercial paper	19,988	19,988	—	—	—
Money Market Mutual Funds	63,226	—	—	—	—
Mutual bond funds	130,009	—	—	—	—
Guaranteed investment contracts	529	—	—	—	—
Other	342,260	5,000	—	—	—
Totals	**$ 3,384,763**	**$ 829,865**	**$ 892,373**	**$ 86,328**	**$ 239,943**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing this risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. The State sponsors the Local Government Investment Pool (LGIP), an external investment pool reported as an investment trust fund. As of June 30, 2014, the State Treasurer had 33.09% of the LGIP investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations. As of June 30, 2014, less than 5% of the State's general investment portfolio was in an overnight repurchase agreement with Bank of America and none of the State's general investment portfolio was in an overnight repurchase agreement with Wells Fargo.

c. Securities Lending Program

The following securities lending disclosures exclude the primary government's Pension Trust Funds of the South Carolina Retirement Systems which are described in section e of this note. The following disclosures, with the exception of the amounts reported in the table below, also apply to the primary government's Other Post-Employment Benefit Trust Funds reported in section f of this note.

By law, the State Treasurer may lend securities from its investment portfolios on a collateralized basis to third parties, primarily financial institutions, with a simultaneous agreement to return the collateral for the same securities in the future. The State may lend United States government securities, corporate bonds, other securities and equities for collateral in the form of cash or other securities. The contracts with the State's custodians require them to indemnify the State if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the State for income distributions by the securities' issuers while the securities are on loan.

The weighted average maturity of the State's collateral investments generally matched the maturity of the securities loaned during the fiscal year and at June 30, 2014. At June 30, 2014, the State had no credit risk exposure to borrowers because the amounts the State owed the borrowers exceeded the amounts the borrowers owed the State. Either the State or the borrower can terminate all securities loans on demand. There are no restrictions on the amount of the loans that can be made. For the fiscal year ended June 30, 2014, the State experienced no losses on its securities lending transactions because of borrower defaults.

The State receives primarily cash as collateral for its loaned securities. The market value of the required collateral must meet or exceed 102% of the market value of the securities loaned, providing a margin against a decline in the market value of the collateral. During the fiscal year ended June 30, 2014, the State met the 102% requirement. The State cannot pledge or sell collateral securities unless the borrower defaults. The lending agent, on behalf of the State, invests cash collateral received. Accordingly, at June 30, 2014, the State recorded these investments of cash collateral as assets in the accompanying financial statements. Corresponding liability amounts also have been recorded because the State must return the cash collateral to the borrower upon expiration of the loan. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2014:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 21,688
Total securities lent for cash collateral	**$ 21,688**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 3,095
Total securities lent for non-cash collateral	**$ 3,095**
Cash collateral invested as follows:	
Asset backed securities	$ 5,612
Repurchase agreements	1,904
Total for cash collateral invested	**$ 7,516**
Securities received as collateral:	
U.S. treasuries	$ 3,154
Total for securities collateral invested	**$ 3,154**

d. Investment Market Uncertainty

The diversification of the State's investment portfolio exposes it to various risks as discussed in previous sections of this note. These risks result in market fluctuations. It is at least reasonably possible that these market fluctuations may result in material changes to the values of the investments reported in the State's financial statements.

e. South Carolina Retirement Systems

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Systems' deposits may not be recovered. As prescribed by South Carolina state statute, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks. These deposits are secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the state against loss in the event of insolvency or liquidation of the institution or for any other cause. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250 thousand or collateralized with securities held by the State or its agent in the State Treasurer's name as custodian.

As of June 30, 2014, the carrying amount of the Systems' deposits was $39.483 million and the bank balance was $40.524 million.

Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Systems will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investing for the Systems is governed by Section 16, Article X of the South Carolina Constitution and Section 9-1-1310(B) and Title 9 Section 16 of the South Carolina Code of Laws. Funds held in trust for the Retirement Systems may be invested and reinvested in a variety of instruments including, but not limited to, fixed income instruments of the United States, foreign fixed income obligations, swaps, forward contracts, futures and options, domestic and international equity securities, private equity, real estate, and fund of funds.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the Retirement System Investment Commission (RSIC) has no formal interest rate risk policy, interest rate risk is observed within the portfolio using effective duration (option adjusted duration), which is a measure of the price sensitivity of a bond or a portfolio of bonds to interest rate movements given a 100 basis point change in interest rates. Effective duration takes into account that expected cash flows will fluctuate as interest rates change and provides a measure of risk that changes proportionately with market rates. Investment guidelines may specify the degree of interest rate risk taken versus the benchmark within each fixed income portfolio.

Disclosures for interest rate risk at June 30, 2014, are noted below (dollar amounts expressed in thousands):

Investment Type	Fair Value	Fair Value Duration Not Available	Fair Value Duration Available	Effective Duration
Short Term Investments				
Short Term Investment Funds (U.S. Regulated)	$ 630,452	$ —	$ 630,452	0.08
Repurchase Agreements	668,209	72,645	595,564	0.08
Commercial Paper	515,444	—	515,444	0.07
U.S. Treasury Bills	100	—	100	0.31
Strategic Partnership Short Duration	707,944	—	707,944	1.21
Options - Cash	(35)	30	(65)	0.28
Equity Allocation				
Preferred	26,268	361	25,907	7.04
Convertible Preferred	3,121	3,121	—	—
Futures - Domestic Equity	17,593	17,593	—	—
Futures - Global Equity	(821)	(821)	—	—
Fixed Income Allocation				
U.S. Government:				
U.S. Government Treasuries	1,689,245	—	1,689,245	5.13
U.S. Government Agencies	910,693	1,421	909,272	1.42
Mortgage Backed:				
Government National Mortgage Association	123,671	—	123,671	3.42
Federal National Mortgage Assocation	195,006	—	195,006	4.01
Federal Home Loan Mortgage Association	26,589	—	26,589	4.70
Federal Home Loan Mortgage Association (multiclass)	1,613	—	1,613	0.98
Collateralized Mortgage Obligations	3,696	—	3,696	4.41
Municipals	50,180	—	50,180	9.83
Corporate:				
Corporate Bonds	1,630,666	112,462	1,518,204	3.50
Mixed Credit	496,748	2,625	494,123	3.05
Convertible Bonds	3,492	—	3,492	4.41
Asset Backed Securities	51,625	3,291	48,334	1.08
Private Placements	512,277	10,526	501,751	2.82
Yankee Bonds	23,989	—	23,989	2.70
Options - Domestic Fixed Income	(35)	—	(35)	(721.48)
Futures - Domestic Fixed Income	3	(113)	116	16.40
Swaps - Domestic Fixed Income	5,068	(247)	5,315	1.37
Global Fixed Income:				
International Asset Backed Securities	3,099	—	3,099	0.38
International Commingled Funds	1,103,526	—	1,103,526	5.49
International Corporate Bonds	2,276	—	2,276	0.05
International Emerging Debt	955,968	426,949	529,019	4.32
International Government Bonds	408,846	20,932	387,914	6.56
International Private Placements	3,846	—	3,846	0.30
Options - Global Fixed Income	(27)	(27)	—	—
Futures - Global Fixed Income	499	—	499	7.32
Swaps - Global Fixed Income	1,404	—	1,404	(17.87)
Alternatives				
Commodity Futures	1,923	1,923	—	—
Total Invested Assets	**$ 10,774,161**	**$ 672,671**	**$ 10,101,490**	

Total Portfolio Effective Duration (option adjusted duration) **3.17**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Systems. As a matter of practice, there are no overarching limitations for credit risk exposures within the overall fixed income portfolio. Each individual portfolio within fixed income is managed in accordance with investment guidelines that are specific as to permissible credit quality ranges, exposure levels within individual quality tiers, and average credit quality. Within high yield portfolios, a quality rating of lower than C is not permissible in any of the fixed income guidelines except in those circumstances of downgrades subsequent to purchase, in which case the investment manager is responsible for communicating the downgrade to the Commission's consultant and staff. The Systems' fixed income investments were rated by Moody's and are presented below (expressed in thousands):

Investment Type and Fair Value	AAA	AA	A	BAA	BA	B	CAA	CA	NR[1]
Short Term Investments									
Short Term Investment Funds (U.S. Regulated)	$ 630,452	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Repurchase Agreements	—	—	—	—	—	—	—	—	668,209
Commercial Paper	—	44,969	—	324,808	—	—	—	—	145,667
Strategic Partnership Short Duration	—	—	—	—	—	—	—	—	707,944
Options - Cash	—	—	—	—	—	—	—	—	(35)
Equity Investments									
Preferred	—	—	—	5,455	897	2,081	—	—	17,835
Convertible Preferred	—	—	—	1,270	—	—	—	—	1,851
Futures - Domestic Equity	—	—	—	—	—	—	—	—	17,593
Futures - Global Equity	—	—	—	—	—	—	—	—	(821)
Fixed Income Allocation[2]									
Mortgage Backed:									
Federal National Mortgage Association	195,006	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association (Multiclass)	1,613	—	—	—	—	—	—	—	—
Federal Home Loan Mortgage Association	26,589	—	—	—	—	—	—	—	—
Collateralized Mortgage Association	3,696	—	—	—	—	—	—	—	—
Municipals	—	32,262	12,509	—	—	—	—	—	5,409
Corporate:									
Corporate Bonds	27,105	78,311	322,003	506,283	266,027	205,820	63,508	—	161,609
Mixed Credit	—	—	—	—	—	—	—	—	496,748
Convertible Bonds	—	—	—	—	—	—	—	—	3,492
Asset Backed Securities	23,554	3,420	2,710	3,291	15	—	—	—	18,635
Private Placements	127,090	16,871	58,236	38,294	53,697	80,222	46,615	188	91,064
Yankee Bonds	—	—	18,925	1,916	3,148	—	—	—	—
Options - Domestic Fixed Income	—	—	—	—	—	—	—	—	(35)
Futures - Domestic Fixed Income	—	—	—	—	—	—	—	—	3
Swaps - Domestic Fixed Income	—	—	—	—	—	—	—	—	5,068
Global Fixed Income:									
International Asset Backed	1,865	—	—	—	—	—	—	—	1,234
International Commingled Funds	—	—	—	—	—	—	—	—	1,103,526
International Corporate Bonds	—	2,276	—	—	—	—	—	—	—
International Emerging Debt	—	—	—	—	138,324	—	—	—	817,644
International Government Bonds	17,792	5,867	35,565	268,326	29,429	—	38,358	—	13,509
International Private Placements	1,851	—	—	1,995	—	—	—	—	—
Options - Global Fixed Income	—	—	—	—	—	—	—	—	(27)
Futures - Global Fixed Income	—	—	—	—	—	—	—	—	499
Swaps - Global Fixed Income	—	—	—	—	—	—	—	—	1,404
Alternatives									
Futures Contracts	—	—	—	—	—	—	—	—	1,923
Totals	**$ 1,056,613**	**$ 183,976**	**$ 449,948**	**$ 1,151,638**	**$ 491,537**	**$ 288,123**	**$ 148,481**	**$ 188**	**$ 4,279,948**

[1] *NR represents securities that were either not rated or had a withdrawn rating.*

[2] *U.S. Government guaranteed securities with a fair value of $2.72 billion are not included in the above table because they are not subject to credit risk.*

Concentration of Credit Risk –Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of investment in a single issuer. The Systems' policy for reducing this risk is to comply with the Statement of Investment Objectives and Policies as amended and adopted by the Commission which states that "except that no limitations on issues and issuers shall apply to obligations of the U.S. Government and Federal Agencies, the domestic fixed income portfolio shall contain no more than 6 percent exposure to any single issuer." As of June 30, 2014, there is no single issuer exposure within the portfolio that comprises 5 percent or more of the overall portfolio. Therefore, there is no concentration of credit risk.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Systems participates in foreign markets to diversify assets, reduce risk and enhance returns. Exposure to foreign investments has, to date, been achieved synthetically using financial futures, forwards and swaps. Currency forwards are used to manage currency fluctuations and are permitted by investment policy. Policy, however, forbids speculating in forwards and other derivatives.

The table below presents the Systems' exposure to foreign currency risk in U.S. dollars as of June 30, 2014 (expressed in thousands):

Currency	Cash & Cash Equivalents	Forward Contracts	Futures Contracts	Private Equity	Private Debt	Fixed Income	Equity
Australian Dollar	$ (4,158)	$ 129,744	$ (1,353)	$ —	$ —	$ 17,516	$ —
Brazil Real	—	(38,253)	—	—	—	47,549	—
British Pound Sterling	(3,041)	439,311	(856)	—	—	—	26,132
Canadian Dollar	8,465	187,867	2,006	—	—	—	2,043
Euro Currency	17,380	701,405	(9,102)	203,344	3,185	36,769	48,648
Hong Kong Dollar	468	63,280	648	—	—	—	19,098
Japanese Yen	17,487	525,650	8,647	—	—	(783)	52,918
New Mexico Peso	54	(85)	—	—	—	155	—
South Korean Won	—	10,619	—	—	—	—	—
Swedish Krona	(11)	60,431	(377)	—	—	—	—
Swiss Franc	—	—	—	—	—	—	35,416
Totals	**$ 36,644**	**$2,079,969**	**$ (387)**	**$203,344**	**$ 3,185**	**$ 101,206**	**$ 184,255**

Derivatives

Derivatives are financial instruments for which the value is derived from underlying assets or data. All of the Systems' derivatives are considered investments. Excluding futures, derivatives generally take the form of contracts in which two parties agree to make payments at a later date based on the value of specific assets or indices. Through certain collective trust funds, the Systems may invest in various derivative financial instruments such as futures and options thereon; forward foreign currency contracts; options; interest rate, currency, equity, index, credit default, and total return swaps; interest-only strips; and CMOs to enhance the performance and reduce volatility. The Systems' derivatives, consisting of futures, options, forward contracts and swaps are presented in the tables on the following pages. Investments in limited partnerships and commingled funds may include derivatives that are not shown in the derivative totals.

Derivatives directly managed by the Investment Commission are used primarily to facilitate changes to the asset allocation of the total plan and for their low cost of implementation. The Commission uses derivatives for several reasons:

- Asset Allocation: In many cases, synthetic exposures (using derivatives) are placeholders until managers are hired and funded. In time, the Commission may substitute traditional managers for much of the synthetic exposure currently in the portfolio. Efficient Market Theory dictates that in some asset classes, synthetics are the best way to achieve exposure.
- Risk Management: Derivatives allow investors the ability to swiftly and efficiently increase or decrease exposures in order to manage portfolio risk.
- Cost: A synthetic (derivative) solution is often the least expensive way to gain exposure to an asset class or to manage portfolio risk. Derivatives are more beneficial in each of the three major measures of cost: commission costs, market impact of trading, and opportunity costs.

Futures

Futures are contractual obligations that require the buyer (seller) to buy (sell) assets at a predetermined date at a predetermined price. These contracts are standardized and trade on an organized exchange with gains and losses settled daily thereby significantly reducing credit and default risk. Gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. To comply with the requirements of multiple exchanges, cash and securities (GNMAs) in the amount of $154.922 million and $48.383 million, respectively, were held in trust by the clearing brokers on June 30, 2014, to satisfy the required margin to trade in exchange traded derivatives and the over the counter market. The tables below present classification information on the Systems' derivatives at June 30, 2014 (expressed in thousands):

	Changes in Fair Value	
	Classification	Gain/(Loss)
Futures Contracts	Net appreciation/(depreciation)	$ 67,818
Forward Contracts	Net appreciation/(depreciation)	82,131
Swaps	Net appreciation/(depreciation)	68,998
Options	Net appreciation/(depreciation)	1,050

	Fair Value			
	Forward Contracts	Futures	Options	Swaps
Cash & Cash Equivalents	$ 23,276	$ —	$ (35)	$ —
Domestic Fixed Income	—	3	(35)	5,068
Global Fixed Income	—	499	(27)	1,404
Domestic Equity	—	17,593	(1)	(7,580)
Global Equity	—	(821)	—	—
Alternatives	—	1,923	—	—
	$ 23,276	**$ 19,197**	**$ (98)**	**$ (1,108)**

As of June 30, 2014, the Systems had the following exposure via futures contracts (dollar amounts expressed in thousands):

Futures Contracts	Expiration	Long/Short	Quantity	Notional Value*
Amsterdam Index Future	July	Long	542	$ 61,333
CAC 40 Euro Index Future	July	Long	3,376	204,396
DAX Index Future	September	Long	581	196,075
DJ EURO STOXX Index 50 Future	September	Long	4,868	215,414
FTSE 100 Index Future	September	Long	3,550	407,356
FTSE/MIB Index Future	September	Long	339	49,438
Hang Seng Index Future	July	Long	449	66,924
IBEX 35 Index Future	July	Long	473	70,301
OMXS 30 Index Future	July	Long	2,948	60,831
S&P/TSE 60 Index Future	September	Long	1,236	200,447
SPI 200 Index Future	September	Long	1,163	146,927
TOPIX Index Future	September	Long	3,190	397,549
Total Global Equity				2,076,991
S&P 500 EMINI Future	September	Long	15,388	1,502,177
Total Large Cap Equity				1,502,177
US Treasury Bond Future	September	Short	(18)	(2,469)
US Treasury Bond Future	September	Long	294	40,333
US Treasury Note 10 Year Future	September	Long	208	26,036
US Treasury Note 2 Year Future	September	Short	(141)	(30,963)
US Treasury Note 2 Year Future	September	Long	242	53,142
US Treasury Note 5 Year Future	September	Long	316	37,749
US Treasury Note Future	September	Long	245	30,667
US Ultra Bond Future	September	Long	34	5,098
USD IRS 10 Year PRIM Future	September	Short	(121)	(12,707)
Total Domestic Fixed Income				146,886
Australian 10 Year Bond Future	September	Short	(578)	(65,723)
EURO-BOBL Future	September	Long	191	33,507
EURO-BUND Future	September	Long	693	139,486
EURO-OAT Future	September	Short	(238)	(45,793)
EURO-SCHATZ Future	September	Long	83	12,575
Japan 10 Year Bond Future	September	Long	98	140,898
UK Long GILT Future	September	Long	159	29,884
Total Global Fixed Income				244,834
Gold 100 OZ Future	August	Long	309	40,850
Total Commodities				40,850
Totals				**$ 4,011,738**

*****Notional value is the nominal or face amount that is used to calculate payments made on derivative instruments (futures, forwards, swaps, and options). This amount generally does not change hands and is thus referred to as notional. The notional amount represents the economic equivalent to an investment in the physical securities represented by the derivative contract.*

Forwards

Forwards are contractual obligations that require the delivery of assets at a fixed price on a predetermined date. These contracts are "over-the-counter" (OTC) instruments, meaning they are not traded on an organized exchange. Currency forwards gains and losses are included in the net appreciation/(depreciation) in the fair value of investments total of the

Statement of Changes in Fiduciary Net Position. As of June 30, 2014, the Systems had the following forward exposures, listed by counterparty (dollar amounts expressed in thousands):

Broker	Notional Value	Fair Value	Counterparty Exposure
Bank of America	$ 30,024	$ (12)	0.71%
Barclays London	617,336	6,987	14.50%
BNP Paribas	209,539	(3,149)	4.92%
BNY Mellon	604,344	7,039	14.19%
Chase Manhattan NA	5,122	(1)	0.12%
Citibank NA	316,554	(1,579)	7.44%
Credit Suisse International London	623,331	6,896	14.64%
Deutsche Bank London	6,198	(4)	0.15%
Goldman Sachs	542,731	(6,487)	12.75%
HSBC Bank USA	607,864	7,053	14.28%
JP Morgan Chase Bank	2,494	(5)	0.05%
Royal Bank of Canada	14,832	(47)	0.35%
Societe Generale	13,618	(301)	0.32%
State Street Capital	605	(6)	0.01%
UBS AG	61,813	(146)	1.45%
Westpac Banking Corporation	601,106	7,038	14.12%
Totals	**$ 4,257,511**	**$ 23,276**	**100.00%**

Swaps

The Systems has entered into various swap agreements to manage plan exposure. Swaps are OTC agreements to exchange a series of cash flows according to specified terms. The underlying asset can be an interest rate, an exchange rate, a commodity price or any other index.

Total return swaps are primarily used to efficiently achieve a target asset allocation. Exposures to an asset class are typically gained by paying a reference rate such as LIBOR, plus or minus a spread, in exchange for the risk and returns of a desired market index. Similarly, exposures can be reduced by receiving a reference rate in exchange for the economic risks and returns of an index.

Counterparty risk, or default risk, is the risk that a party will not honor its contractual obligations. The Systems seeks to actively manage its counterparty risk by thorough analysis and evaluation of all potential counterparties by investment staff and the independent overlay manager. Risk is further minimized through diversification among counterparties with high credit ratings and collateralizing unrealized gains and losses. The Systems currently does not participate in a master netting agreement. Unrealized gains and losses are not netted across instrument types and are included in the net appreciation/(depreciation) in the fair value of investments total of the Statement of Changes in Fiduciary Net Position. The table below reflects the counterparty credit ratings at June 30, 2014, for currency forwards, swap agreements, and options (expressed in thousands):

Quality Rating	Forwards	Swaps	Options	Total
Aaa	$ —	$ —	$ 83	$ 83
Aa1	13,881	3,057	—	16,938
Aa3	7,533	239	—	7,772
A1	2,325	1,625	(76)	3,874
A2	(463)	(10,294)	(1)	(10,758)
Baa1	—	5	(39)	(34)
NR	—	490	—	490
Total subject to credit risk	$ 23,276	$ (4,878)	$ (33)	$ 18,365
Centrally cleared:				
Chicago Mercantile Exchange Inc	$ —	$ 3,770	$ —	$ 3,770
London International Futures and Options Exchange	—	—	(65)	(65)
Total not subject to credit risk	$ —	$ 3,770	$ (65)	$ 3,705
Total	**$ 23,276**	**$ (1,108)**	**$ (98)**	**$ 22,070**

At June 30, 2014, the Systems held swaps as shown in the tables below (amounts expressed in thousands):

Counterparty	Total Return Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Gain (Loss) Since Trade
Societe Generale	DJ-UBS Roll Select TR Index Pr	3 Month T-Bill + 12 bps	DJ-UBS Commodities TR	8/29/2014	$ 241,956	$ 9,783
JP Morgan	JPM Enhanced Beta DJUBS Proxy	3 Month T-Bill + 16.9 bps	DJ-UBS Commodities TR	2/27/2015	255,481	5,481
Societe Generale	DJUBS Pre-Roll Excess Return	13 bps	DJ-UBS Commodities TR	3/31/2015	100,742	742
Goldman Sachs	Russell 2000 Proxy (Short)	Russell 2000 Total Index Return	3 Month US LIBOR - 49 bps	10/8/2014	(313,790)	(13,974)
			Total		**$ 284,389**	**$ 2,032**

Counterparty	Fixed Income Swaps	SCRS Pays	SCRS Receives	Maturity Date	Current Notional	Fair Value*
Bank of America NA	Credit Default Swaps	Variable Rate	Fixed Rate	Various	$ 4,799	$ 68
Barclays Bank PLC	Credit Default Swaps	Fixed / Variable Rate	Fixed / Variable Rate	Various	3,062	246
BNP Paribas Securities Corp	Credit Default Swaps	Fixed Rate	Variable Rate	Various	2,500	(17)
Citibank NA	Credit Default Swaps	Fixed / Variable Rate	Fixed / Variable Rate	Various	8,048	1,568
Deutsche Bank AG/London	Credit Default Swaps	Variable Rate	Fixed Rate	Various	1,599	47
Goldman Sachs Bank USA	Credit Default Swaps	Fixed Rate	Variable Rate	Various	4,000	(7)
Goldman Sachs International	Credit Default Swaps	Variable Rate	Fixed Rate	Various	4,993	190
HSBC Securities Inc	Credit Default Swaps	Variable Rate	Fixed Rate	Various	1,400	3
JP Morgan Chase Bank NA	Credit Default Swaps	Variable Rate	Fixed Rate	Various	1,676	131
Morgan Stanley Capital Services LLC	Credit Default Swaps	Variable Rate	Fixed Rate	Various	5,900	490
Royal Bank of Scotland PLC	Credit Default Swaps	Variable Rate	Fixed Rate	Various	1,700	5
Citibank NA	Interest Rate Swaps	Variable Rate	Fixed Rate	Various	2,076	70
Chicago Mercantile Exchange Inc	Interest Rate Swaps	Fixed / Variable Rate	Fixed / Variable Rate	Various	385,913	3,770
Deutsche Bank AG/London	Interest Rate Swaps	Variable Rate	Fixed Rate	Various	5,427	154
			Total		**$ 433,093**	**$ 6,718**

***Fair value is the amount reasonably expected to be received if the underlying positions were liquidated on the following business day.*

Options

Options are exchange traded agreements between two parties for a future transaction on an underlying asset at a reference or strike price. The buyer of an option has the right, but not the obligation, to transact. The seller of an option has the obligation to transact if forced by the buyer. The price of an option is derived by taking the difference in the underlying asset and the strike price plus a premium for the remaining time until expiration. As of June 30, 2014, the Systems had the following option positions (amounts expressed in thousands):

Option Contracts	Underlying Security	Expiration	Quantity	Fair Value
Put Sep 14 097.750 ED 09/12/14	EURO$ 2YR MID-CRV FUT SEP 16	September	696	$ 30
Call Dec 14 099.500 ED 12/15/14	3MO EURO EURIBOR FUTURE (LIF)	December	(1,116)	(64)
Put Dec 14 099.500 ED 12/15/14	3MO EURO EURIBOR FUTURE (LIF)	December	558	(1)
Total Cash & Cash Equivalents				(35)
Put Oct 20 000.980 ED 10/13/20	INF FLR CPURNSA 218.011	October	558	(1)
Total Domestic Equity				(1)
Put Aug 14 123.000 ED 07/25/14	US 10YR TREAS NTS FUT SEP 14	July	(55)	(52)
Put Aug 14 124.000 ED 07/25/14	US 10YR TREAS NTS FUT SEP 14	July	(55)	96
Put Aug 14 122.000 ED 07/25/14	US 10YR TREAS NTS FUT SEP 14	July	(2,100,000)	9
Put Sep 15 002.500 ED 09/21/15	IRS R US0003M P 2.5% 9/23/20	September	(35,600,000)	(536)
Put Sep 15 002.500 ED 09/21/15	IRS P US0003M R 3ML 2.5% CBK	September	(35,000,000)	(310)
Put Sep 15 003.450 ED 09/21/15	IRS R US0003M P 3.45% 09/23/45	September	(20,200,000)	498
Put Sep 15 003.450 ED 09/21/15	IRS R US0003M P 3.45% CBK	September	8,400,000	260
Total Domestic Fixed Income				(35)
Put Sep 14 000.950 ED 09/17/14	CDS SP UL ITRAXX MAIN21 V1 5YR	September	4,400,000	(27)
Total Global Fixed Income				(27)
Total				**$ (98)**

Alternative Investments

The Alternative Investment category includes the following asset classes: private equity, hedge funds, private debt, real estate, and commodities.

Private equity, private debt, and real estate investments are normally structured as limited partnerships. In this structure, the Systems is one of several limited partners, while the investment manager serves as the general partner. Investing in such limited partnerships legally obligates the Systems to invest the committed amount until the investment is fully funded or contractual investment period has expired. Hedge fund and commodities investments are typically on subscription basis with a single, initial investment with no further commitment.

The Systems established several strategic partnerships to gain access to the best ideas of the investment manager, to receive favorable economics, and to efficiently take advantage of market opportunities. Investments within the strategic partnership accounts may include allocations to any asset class including those considered alternative investments. Assets of Strategic Partnerships are reported within their respective asset class totals.

The Investment Commission's intent is to access superior risk-adjusted returns through investing in alternative investment asset classes. Due to their low correlation to traditional asset classes, alternative investments diversify the portfolio and help reduce the risk associated with volatility of returns.

Commitments

The Investment Commission, on behalf of the Systems, has entered into contractual agreements with numerous alternative investment managers and is committed for future funding of private equity, private debt/opportunistic credit and real estate investments. As of June 30, 2014, the Systems' commitments, including commitments within Strategic Partnerships, are shown in the following table (amounts expressed in thousands):

Limited Partnerships USD	Total Commitment	Amount Funded To Date	Remaining Unfunded Commitment
Private Equity	$ 3,946,641	$ 2,994,971	$ 951,670
Private Debt/Opportunistic Credit	3,388,016	2,726,569	661,447
Real Estate	1,705,890	1,264,237	441,653
Real Assets	30,000	24,439	5,561
Total	$ 9,070,547	$ 7,010,216	$ 2,060,331
Limited Partnerships Euros			
Private Equity	€ 200,750	€ 154,916	€ 45,834
Private Debt/Opportunistic Credit	75,917	75,917	—
Total	€ 276,667	€ 230,833	€ 45,834

Securities Lending

The Retirement Systems' investment portfolio currently participates in a securities lending program, managed by BNY Mellon ("Securities Lending Program"), whereby securities are loaned for the purpose of generating additional income. BNY Mellon is responsible for making loans of securities on a collateralized basis from the Systems' investment portfolio to various third party broker-dealers and financial institutions. The market value of the required cash collateral must initially meet or exceed 102.0 percent of the market value of the securities loaned, providing a margin against a decline in the market value of collateral. If the collateral value falls below 100.0 percent, the borrower must post additional collateral. In conjunction with generating revenue, the collateral pool seeks to maintain a net asset value (NAV) of $1.00, which is determined by dividing the market value of the assets by the cost of those assets.

There are no restrictions on the amount of securities that may be loaned and conservative investment guidelines continue to be maintained within the Securities Lending Program. The re-investment of the cash collateral is restricted to short duration, very low risk securities and is monitored by RSIC on an ongoing basis. The types of securities available for loan during the year ended June 30, 2014 included U.S. Government securities, U.S. Government agencies, corporate bonds and equities. The contractual agreement between the State Treasurer as custodian and BNY Mellon provides indemnification in the event the borrower fails to return the securities lent or fails to pay the Systems income distribution by the securities' issuers while the securities are on loan. Cash and U.S. Government securities are received as collateral for these loans. Collateral securities cannot be pledged or sold without a borrower default. Cash collateral received is invested; and accordingly, investments made with cash collateral are reported as an asset. A corresponding liability is recorded as the Systems must return the cash collateral to the borrower upon the expiration of the loan.

At June 30, 2014, the fair value of securities on loan was $118.697 million. The fair value of the invested cash collateral was $72.645 million. Securities lending obligations were $121.313 million with an unrealized loss in invested cash collateral of $48.668 million. The gross securities lending revenue for the fiscal year was $1.730 million, a decrease from $2.513 million in the prior year. Since November 2008, gains and losses from the Securities Lending Program have been excluded from the Total Plan performance calculations.

With regard to counterparty credit risk, the Systems' cash collateral invested is held by the counterparty and is uninsured. All securities loaned can be terminated on demand by either the Systems or the borrower. At year end the average number of days the loans were outstanding was one day. The average weighted maturity of investments made with cash collateral was one day. At June 30, 2014, there had been no losses resulting from borrower defaults and the Systems had no credit risk exposure to borrowers because the amounts the Systems owed the borrowers exceeded the amounts the borrowers owed the Systems.

The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2014:

	SCRS	PORS	GARS	JSRS	SCNG	TOTALS
Securities lent for cash collateral:						
U.S. Government securities	$ 4,109	$ 634	$ 5	$ 23	$ 4	$ 4,775
Corporate bonds	47,772	7,373	60	270	38	55,513
Common stock	50,264	7,758	63	283	41	58,409
Total securities lent for cash collateral	**$ 102,145**	**$ 15,765**	**$ 128**	**$ 576**	**$ 83**	**$ 118,697**
Securities lent for non-cash collateral:						
Corporate bonds	$ 12,613	$ 1,947	$ 16	$ 71	$ 10	$ 14,657
Common stock	3,482	537	4	20	3	4,046
	$ 16,095	**$ 2,484**	**$ 20**	**$ 91**	**$ 13**	**$ 18,703**
Cash collateral invested as follows:						
Repurchase agreements	$ 62,515	$ 9,648	$ 78	$ 353	$ 51	$ 72,645
Total for cash collateral invested	**$ 62,515**	**$ 9,648**	**$ 78**	**$ 353**	**$ 51**	**$ 72,645**
Securities received as collateral:						
U.S. Government securities	$ 16,617	$ 2,565	$ 21	$ 94	$ 14	$ 19,311
	$ 16,617	**$ 2,565**	**$ 21**	**$ 94**	**$ 14**	**$ 19,311**

f. Other Post-Employment Benefit Trust Funds

The State Treasurer is the custodian and investment manager of all deposits and investments of the South Carolina Retiree Health Insurance Trust Fund and the Long-term Disability Insurance Trust Fund (the Trusts).

Custodial Credit Risk

Deposits

Custodial credit risk for deposits is the risk that in the event of a depository financial institution's failure, the Trusts' deposits may not be recovered. As prescribed by law, the State Treasurer is the custodian of all deposits and is responsible for securing all deposits held by banks or savings and loan associations. These deposits must be secured by deposit insurance, surety bonds, collateral securities, or letters of credit to protect the State against loss in the event of insolvency or liquidation of the institution, or for any other cause. As of June 30, 2014, the Trusts' had no cash on deposit with banks. All cash reported was held in the cash management pool by the State Treasurer's Office.

Investments

Custodial credit risk for investments is the risk that in the event of a failure of the counterparty to a transaction, the State will not be able to recover the value of investments or collateral securities that are in possession of an outside party. All of the State Treasurer's investments are fully insured or collateralized.

In accordance with State Law, the Trusts may invest in a variety of instruments including obligations of the United States and its agencies and securities fully guaranteed by the United States, certain corporate obligations, certain shares of Federal savings and loan associations and State chartered savings and loan associations, and collateralized repurchase agreements. All investments are required to be insured or registered, or held by the State or its agent in the name of the State Treasurer, as custodian.

With respect to investments in the State internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the State. The State Treasurer's credit risk policy mitigates potential for loss of principal by purchasing only high investment grade fixed-income securities. In the event that the rating of a security falls below investment grade, that security may continue to be held contingent upon an evaluation of the longer term investment merits of the security. As of June 30, 2014, the Trusts' debt investments were rated by Standard & Poor's as follows (expressed in thousands):

Investment Type and Fair Value	AAA / AA	A / A1 / A2	BBB / BB	Not Rated
U.S. agencies	$ 15,007	$ —	$ —	$ —
Mortgage backed obligations	29,927	—	—	—
Corporate bonds	83,606	187,478	249,566	8,253
Repurchase agreements	—	—	—	109,325
Commercial paper	—	22,026	—	16,108
Municipal bonds	—	1,999	—	—
Money market mutual funds	—	—	—	6
Totals	**$128,540**	**$211,503**	**$249,566**	**$133,692**

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The State Treasurer's policy does not specifically address interest rate risk. Its objectives for preservation of capital and maintenance of adequate liquidity focus the management of interest rate sensitivity on investing in securities with a range of maturities from one day to thirty years. At June 30, 2014, the maturities of the securities that will mature were limited according to the following segmented time distribution (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. treasuries	$ 44,858	$ 675	$ 2,928	$ 778	$ 40,477
U.S. agencies	15,007	10,004	5,003	—	—
Mortgage backed obligations	29,927	—	—	4,287	25,640
Corporate bonds	528,903	161,270	122,763	220,460	24,410
Repurchase agreements	109,325	109,325	—	—	—
Commercial paper	38,134	38,134	—	—	—
Municipal bonds	1,999	1,999	—	—	—
Money market mutual funds	6	6	—	—	—
Totals	**$ 768,159**	**$ 321,413**	**$130,694**	**$225,525**	**$ 90,527**

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investments in a single issuer. The State's policy for reducing the risk is to diversify and limit exposure to any single issuer to no more than 5%, except for United States Treasury and agency obligations. As of June 30, 2014, the State Treasurer had approximately 5.84% Trust's investment portfolio in an overnight repurchase agreement with Bank of America that was fully collateralized by U.S. Treasury and agency obligations.

Securities Lending

The Trusts participate in the Securities Lending Program as described in section c of this note. The following table presents the fair value (expressed in thousands) of the underlying securities and the total collateral received for securities on loan at June 30, 2014:

	Amount
Securities lent for cash collateral:	
U.S. Corporate-fixed income	$ 7,510
Total securities lent for cash collateral	**$ 7,510**
Securities lent for non-cash collateral:	
U.S. Corporate-fixed income	$ 3,066
Total securities lent for non-cash collateral	**$ 3,066**
Cash collateral invested as follows:	
Asset backed securities	$ 1,943
Repurchase agreements	660
Total for cash collateral invested	**$ 2,603**
Securities received as collateral:	
U.S. treasuries	$ 3,125
Total for securities collateral invested	**$ 3,125**

NOTE 5: RECEIVABLES

Receivable balances are disaggregated by type according to their liquidity characteristics and are presented separately in the financial statements, net of applicable allowances. Allowances for uncollectible receivables (expressed in thousands) at June 30, 2014, for the primary government were as follows:

	Governmental Activities					
	Governmental Funds					
	General	Departmental Program Services	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Income taxes receivable	$ 294,338	$ —	$ —	$ —	$ —	$ 294,338
Sales and other taxes receivable	105,312	7	—	17,589	—	122,908
Patient accounts receivable	55	721	—	—	—	776
Other receivables	17,353	39,251	2,037	89	127	58,857
Total allowances for uncollectibles	**$417,058**	**$ 39,979**	**$ 2,037**	**$ 17,678**	**$ 127**	**$ 476,879**

	Business-type Activities (Enterprise Funds)
	Unemployment Compensation Benefits
Assessments receivable	$ 12,766
Other receivables	8,127
Total allowances for uncollectibles	**$ 20,893**

The enterprise fund financial statements separately present long-term receivables (net receivable balances not expected to be collected within one year). Net receivables not expected to be collected within one year in governmental and internal service funds (expressed in thousands) at June 30, 2014, were as follows:

	Governmental Activities						
	Governmental Funds						
Net Long-term Receivables	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts receivable	$ 36,691	$ 31,472	$ 5,332	$ —	$ —	$ 1,051	$ 74,546
Contributions	—	240	—	—	—	—	240
Income taxes receivable	4,784	—	—	—	—	—	4,784
Sales and other taxes receivable	2,605	—	—	—	1,471	—	4,076
Patient accounts receivable	3,523	2,289	—	—	—	—	5,812
Loans and notes receivable	35,617	532	476,347	2,369	—	—	514,865
Accounts receivable—restricted	—	—	215,240	—	—	—	215,240
Total long-term receivables, net	**$ 83,220**	**$ 34,533**	**$ 696,919**	**$ 2,369**	**$ 1,471**	**$ 1,051**	**$ 819,563**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. The components of unearned revenue in the governmental funds (expressed in thousands) at June 30, 2014, were as follows:

	Unavailable	Unearned	Total Governmental Funds
Taxes	$ —	$ 15,165	$ 15,165
Federal grants	20,890	229	21,119
Contributions	196,291	148,868	345,159
Departmental services	1,769	47,772	49,541
Total unearned revenues	$ 218,950	212,034	$ 430,984
Internal service funds		146,495	
Total governmental activities		$ 358,529	

NOTE 6: CAPITAL ASSETS

Capital asset activity (expressed in thousands) for the fiscal year ended June 30, 2014, for the primary government was as follows:

	Beginning Balances July 1, 2013	Increases	Decreases	Ending Balances June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 1,865,355	$ 24,019	$ (4,523)	$ 1,884,852
Construction in progress	2,414,808	553,980	(323,514)	2,645,274
Works of art and historical treasures	3,979	3,297	—	7,276
Intangibles	292	47	(5)	334
Total capital assets not being depreciated	4,284,434	581,343	(328,041)	4,537,736
Capital assets being depreciated:				
Land improvements	112,992	434	—	113,426
Infrastructure (road and bridge network)	12,338,108	290,605	(8,724)	12,619,989
Buildings and improvements	2,000,288	9,909	(741)	2,009,456
Vehicles	650,911	34,468	(27,278)	658,101
Machinery and equipment	521,071	51,108	(24,894)	547,285
Works of art and historical treasures	1,500	—	—	1,500
Intangibles	141,685	1,809	(8,158)	135,336
Total capital assets being depreciated	15,766,555	388,333	(69,796)	16,085,093
Less accumulated depreciation for:				
Land improvements	(52,017)	(2,854)	—	(54,871)
Infrastructure (road and bridge network)	(3,137,423)	(176,924)	8,201	(3,306,146)
Buildings and improvements	(871,645)	(56,747)	654	(927,738)
Vehicles	(559,606)	(29,637)	27,582	(561,661)
Machinery and equipment	(399,035)	(32,165)	23,719	(407,481)
Works of art and historical treasures	(301)	(60)	—	(361)
Intangibles	(85,144)	(11,755)	8,155	(88,744)
Total accumulated depreciation	(5,105,171)	(310,142)	68,312	(5,347,002)
Total capital assets being depreciated, net	10,661,384	78,191	(1,484)	10,738,091
Capital assets for governmental activities, net	**$ 14,945,818**	**$ 659,534**	**$ (329,525)**	**$ 15,275,827**

	Beginning Balances July 1, 2013 As Restated	Increases	Decreases	Ending Balances June 30, 2014
Business-type activities:				
Capital assets not being depreciated:				
Land and improvements	$ 40,481	$ 52,029	$ —	$ 92,510
Construction in progress	18,116	4,565	(789)	21,892
Total capital assets not being depreciated	58,597	56,594	(789)	114,402
Capital assets being depreciated:				
Land improvements	1,244	—	—	1,244
Buildings and improvements	13,855	8,382	(67)	22,170
Vehicles	748	14	—	762
Machinery and equipment	6,808	772	(140)	7,440
Intangibles	2,300	—	—	2,300
Total capital assets being depreciated	24,955	9,168	(207)	33,916
Less accumulated depreciation for:				
Land improvements	(476)	(416)	—	(892)
Buildings and improvements	(3,998)	(405)	67	(4,336)
Vehicles	(742)	(17)	—	(759)
Machinery and equipment	(3,769)	(82)	138	(3,713)
Intangibles	(2,070)	(115)	—	(2,185)
Total accumulated depreciation	(11,055)	(1,035)	205	(11,885)
Total capital assets being depreciated, net	13,900	8,133	(2)	22,031
Capital assets for business-type activities, net	**$ 72,497**	**$ 64,727**	**$ (791)**	**$ 136,433**

Capital assets for the State's fiduciary funds were comprised of land totaling $582 thousand, a building totaling $4.749 million and equipment totaling $1.706 million with accumulated depreciation of $4.125 million. Depreciation expense for fiscal year 2014 was $227 thousand. There were additions of $56 thousand for equipment and $54 thousand in dispositions of capital assets during the year.

Capital asset activity (expressed in thousands) for the State's major discretely presented component units was as follows:

	Beginning Balances January 1, 2013	Increases	Decreases	Ending Balances December 31, 2013
Public Service Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 120,104	$ 21,963	$ —	$ 142,067
Construction in progress	1,643,507	644,343	(187,219)	2,100,631
Total capital assets not being depreciated	1,763,611	666,306	(187,219)	2,242,698
Capital assets being depreciated:				
Buildings and improvements (utility plant)	6,993,172	129,575	(19,594)	7,103,153
Vehicles	47,191	20,749	(2,024)	65,916
Machinery and equipment	30,065	15,700	(745)	45,020
Intangibles	72,608	1,302	(873)	73,037
Total capital assets being depreciated	7,143,036	167,326	(23,236)	7,287,126
Less accumulated depreciation for:				
Buildings and improvements (utility plant)	(2,865,560)	(168,406)	—	(3,033,966)
Vehicles	(23,872)	(8,557)	1,996	(30,433)
Machinery and equipment	(13,554)	(4,508)	726	(17,336)
Intangibles	(55,743)	(18,168)	873	(73,038)
Total accumulated depreciation	(2,958,729)	(199,639)	3,595	(3,154,773)
Total capital assets being depreciated, net	4,184,307	(32,313)	(19,641)	4,132,353
Public Service Authority, net	**$ 5,947,918**	**$ 633,993**	**$ (206,860)**	**$ 6,375,051**

	Beginning Balances July 1, 2013	Increases	Decreases	Ending Balances June 30, 2014
State Ports Authority:				
Capital assets not being depreciated:				
Land and improvements	$ 197,232	$ 4,445	$ (2)	$ 201,675
Construction in progress	207,602	83,265	(64,097)	226,770
Intangibles	2,190	—	—	2,190
Total capital assets not being depreciated	407,024	87,710	(64,099)	430,635
Capital assets being depreciated:				
Land improvements	284,490	41,469	(112)	325,847
Buildings and improvements	337,817	5,660	(3,823)	339,654
Machinery and equipment	160,792	12,726	(3,033)	170,485
Intangibles	876	—	—	876
Total capital assets being depreciated	783,975	59,855	(6,968)	836,862
Less accumulated depreciation for:				
Land improvements	(164,751)	(13,666)	—	(178,417)
Buildings and improvements	(215,865)	(10,369)	3,696	(222,538)
Machinery and equipment	(116,199)	(8,380)	2,990	(121,589)
Intangibles	(613)	(36)	—	(649)
Total accumulated depreciation	(497,428)	(32,451)	6,686	(523,193)
Total capital assets being depreciated, net	286,547	27,404	(282)	313,669
State Ports Authority, net	**$ 693,571**	**$ 115,114**	**$ (64,381)**	**$ 744,304**

	Beginning Balances July 1, 2013	Increases	Decreases	Ending Balances June 30, 2014
Medical University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 68,751	$ —	$ —	$ 68,751
Construction in progress	96,412	75,827	(81,285)	90,954
Works of art and historical treasures	188	—	—	188
Total capital assets not being depreciated	165,351	75,827	(81,285)	159,893
Capital assets being depreciated:				
Land improvements	12,849	1,287	—	14,136
Buildings and improvements	1,455,971	77,922	(2,056)	1,531,838
Vehicles	6,838	173	(1,796)	5,215
Machinery and equipment	446,518	38,693	(80,097)	405,113
Intangibles	28,871	1,138	(77)	29,932
Total capital assets being depreciated	1,951,047	119,214	(84,025)	1,986,235
Less accumulated depreciation for:				
Land improvements	(6,709)	(575)	—	(7,284)
Buildings and improvements	(596,476)	(62,271)	1,671	(657,077)
Vehicles	(6,176)	(356)	1,795	(4,737)
Machinery and equipment	(297,783)	(48,523)	70,105	(276,202)
Intangibles	(14,728)	(4,175)	77	(18,826)
Total accumulated depreciation	(921,872)	(115,900)	73,647	(964,125)
Total capital assets being depreciated, net	1,029,175	3,313	(10,378)	1,022,110
MUSC, net	**$ 1,194,526**	**$ 79,140**	**$ (91,663)**	**$ 1,182,003**

	Beginning Balances July 1, 2013 As Restated	Increases	Decreases	Ending Balances June 30, 2014
University of South Carolina:				
Capital assets not being depreciated:				
Land and improvements	$ 79,919	$ —	$ —	$ 79,919
Construction in progress	90,459	114,227	(157,334)	47,352
Works of art and historical treasures	22,220	5,202	—	27,422
Total capital assets not being depreciated	192,598	119,429	(157,334)	154,693
Capital assets being depreciated:				
Land improvements	103,680	1,255	—	104,934
Buildings and improvements	1,382,047	160,991	—	1,543,039
Vehicles	15,971	1,125	(581)	16,515
Machinery and equipment	174,722	13,267	(6,053)	181,936
Intangibles	34,682	8,606	(617)	42,671
Total capital assets being depreciated	1,711,102	185,244	(7,251)	1,889,095
Less accumulated depreciation for:				
Land improvements	(23,296)	(4,187)	—	(27,483)
Buildings and improvements	(556,407)	(41,852)	—	(598,259)
Vehicles	(10,603)	(1,032)	615	(11,020)
Machinery and equipment	(132,872)	(11,009)	5,284	(138,597)
Intangibles	(3,627)	(4,260)	617	(7,269)
Total accumulated depreciation	(726,805)	(62,340)	6,516	(782,629)
Total capital assets being depreciated, net	984,297	122,904	(735)	1,106,466
USC, net	**$ 1,176,895**	**$ 242,333**	**$ (158,069)**	**$ 1,261,159**

	Beginning Balances July 1, 2013	Increases	Decreases	Ending Balances June 30, 2014
Clemson University:				
Capital assets not being depreciated:				
Land and improvements	$ 41,674	$ —	$ —	$ 41,674
Construction in progress	94,522	44,647	(115,967)	23,202
Total capital assets not being depreciated	136,196	44,647	(115,967)	64,876
Capital assets being depreciated:				
Buildings and improvements	867,488	46,799	(225)	914,062
Vehicles	15,575	509	(575)	15,509
Machinery and equipment	266,536	73,511	(4,586)	335,461
Intangibles	2,680	16,400	—	19,080
Total capital assets being depreciated	1,152,279	137,219	(5,386)	1,284,112
Less accumulated depreciation for:				
Buildings and improvements	(314,312)	(22,042)	203	(336,151)
Vehicles	(5,140)	(60)	571	(4,629)
Machinery and equipment	(186,328)	(17,902)	4,159	(200,071)
Intangibles	(2,584)	(4,423)	—	(7,007)
Total accumulated depreciation	(508,364)	(44,427)	4,933	(547,858)
Total capital assets being depreciated, net	643,915	92,792	(453)	736,254
Clemson, net	**$ 780,111**	**$ 137,439**	**$ (116,420)**	**$ 801,130**

During the fiscal year ended June 30, 2014, depreciation expense was charged to functions of the primary government and its major discretely presented component units (expressed in thousands):

	Governmental Funds	Internal Service Funds	Total Governmental Activities
General government	$ 26,795	$ 8,446	$ 35,241
Education	12,920	—	12,920
Health and environment	11,428	—	11,428
Social services	550	—	550
Administration of justice	27,713	516	28,230
Resources and economic development	27,733	—	27,733
Transportation	194,040	—	194,040
Total depreciation expense, governmental activities	**$ 301,180**	**$ 8,962**	**$ 310,142**

	Major Component Units
Public Service Authority	$ 199,639
State Ports Authority	32,451
MUSC	115,900
USC	62,340
Clemson	44,427

At June 30, 2014, the primary government had outstanding construction commitments totaling $42.503 million for capital projects in progress. In addition, outstanding construction commitments at that date totaled $18.589 million for significant permanent improvement projects that will not increase State assets. Projects that will not be capitalized as State assets upon completion include projects for replacements, repairs, and renovations to existing facilities. In addition, the primary government had outstanding commitments totaling $9.502 million at June 30, 2014, related to information technology projects.

Outstanding construction commitments (expressed in thousands) for the State's major discretely presented component units was as follows:

	Outstanding Construction Commitments
Public Service Authority	$ 3,469,000
State Ports Authority	37,914
MUSC	14,527
USC	116,434
Clemson	9,756

Interest costs included as part of the cost of capital assets under construction (expressed in thousands) for the State's major discretely presented component units was as follows:

	Capitalized Interest Costs
State Ports Authority	$ 8,268
MUSC	446
USC	4,906

NOTE 7: RETIREMENT PLANS

a. Plan Descriptions

The South Carolina Retirement Systems (the Systems) represents the collective retirement funds that are held in a group trust for the plans and are protected by the state's constitution. Effective July 1, 2012, the South Carolina Public Employee Benefit Authority (PEBA) was created as a separate agency and governing body. As a result, the Retirement Systems, which was formerly a division of the SC Budget and Control Board, was transferred from the Budget and Control Board to the new administrative agency. PEBA administers the various retirement systems and retirement programs managed by the Retirement Division. PEBA also has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as trustee of the systems and the trust funds. By law, the Budget and Control Board, which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the Retirement Systems and serves as a co-trustee of the Retirement Systems in conducting that review. The comprehensive annual financial report for the five retirement plans may be obtained by writing to:

Retirement Systems Finance
South Carolina Public Employee Benefit Authority
PO Box 11960
Columbia, South Carolina 29211-1960
www.retirement.sc.gov

The **South Carolina Retirement System** (SCRS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for public school districts and employees of the State and political subdivisions thereof. Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class III member.

A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension subject to the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class II and Class III members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five- or eight-year earned service requirement, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

Beginning July 1, 2012, and annually thereafter, the annual retirement allowance received by retirees or their surviving annuitants must be increased by the lesser of one percent or five hundred dollars. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest 12 consecutive quarters of compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit amount is equal to the 1.82% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 28 years of credited service or (ii) attained age 65 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 1.82% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence a retirement benefit after they have (i) attained age 60 with eight years of earned service or (ii) the combination of the member's age and years of credited service equals or exceeds 90 (i.e. the rule of 90). At each July 1 after their first

full year of retirement, annuitants will receive an automatic cost of living adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

The **South Carolina Police Officers Retirement System** (PORS), a cost–sharing multiple-employer defined benefit pension plan, was established effective July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for police officers and firemen of the State and its political subdivisions. To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; be a coroner in a full-time permanent position; or be a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least $2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class II member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class III member. A Class II member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class III member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class II and Class III members are eligible to receive a deferred annuity at age 55 with five or eight years earned service, respectively. Incidental death benefits are also available to beneficiaries of active and retired members of employers who participate in the death benefit program. An additional accidental death benefit is also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

Class II Members (members hired prior to July 1, 2012)

Average Final Compensation (AFC) is based on the highest twelve (12) consecutive quarters of compensation. The determination of a member's AFC includes up to 45 days of unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service may include up to 90 days of unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 25 years of credited service or (ii) attained age 55 with 5 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

Class III Members (members hired after June 30, 2012)

Average Final Compensation (AFC) is based on the highest twenty (20) consecutive quarters of compensation. The determination of a member's AFC will not include unused annual leave paid at termination. Monthly benefits are based on one-twelfth of this amount. The retirement benefit is equal to 2.14% of the member's AFC times the member's credited service (years). Credited service will not include unused sick leave.

Members are eligible to commence their retirement benefit after they have (i) 27 years of credited service or (ii) attained age 55 with 8 years of earned service. At each July 1 after their first full year of retirement, annuitants will receive an automatic post-retirement benefit adjustment equal to the lesser of 1.00% of their retirement benefit or $500 per annum.

The **Retirement System for Members of the General Assembly of the State of South Carolina** (GARS), a single-employer defined benefit pension plan, was created effective January 1, 1966, pursuant to the provisions of Section 9-9-20 of the South Carolina Code of Laws to provide retirement allowances and other benefits for members of the General Assembly. Retirement reform legislation closed the plan to individuals newly elected to the Senate or House of Representatives after the general election of 2012. Members of the Senate and the House of Representatives who were first elected to office prior to November 2012 are required to participate in and contribute to the system upon taking office as a member of the S.C. General Assembly; however, the GARS plan is closed to individuals newly elected to the Senate or the House of Representatives after the general election of 2012. A member is eligible for a monthly pension at age 60 or with 30 years credited service. A member who has attained age 70 or has 30 years of service is eligible to retire and draw an annuity while continuing to serve in the General Assembly. A member is eligible to receive a deferred annuity with eight years of service. An incidental death benefit is also provided to members. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions. The Retirement Reform legislation closed GARS to new members. Persons first elected to the General Assembly in November 2012 or after must elect membership in SCRS or State ORP or may elect non-membership.

Earnable compensation is comprised of $10,400 annually plus 40 times the daily rate of remuneration (i.e. $22,400 in total earnable compensation annually). Certain line-item additional compensation for specified offices is also included. Monthly benefits are based on one-twelfth of this amount. The member contribution rate is 11% of earnable compensation. The retirement benefit amount is equal to the 4.82% of the member's earnable compensation times the member's credited service (years).

The **Retirement System for Judges and Solicitors of the State of South Carolina** (JSRS), a single-employer defined benefit pension plan, was created effective July 1, 1979, pursuant to the provisions of Section 9-8-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for judges, solicitors, and circuit public defenders of the State. All solicitors, circuit public defenders, judges of a Circuit or Family Court and justices of the Court of Appeals and Supreme Court are required to participate in and contribute to the system upon taking office.

Members are eligible for retirement after they have (i) attained age 70 with 15 years of service, or (ii) attained age 65 with 20 years of service or (iii) completed 25 years of creditable service for judges and 24 years for solicitors and public defenders regardless of age. Members who have accrued a retirement allowance that is 90% of salary may elect to "retire in place" and begin to receive their accrued retirement benefits while remaining employed. Members who have retired in place but have not attained age 60 will have their retirement benefit paid into a deferred retirement option program (DROP) and receive the balance of their DROP account upon attaining age 60. The mandatory retirement age is 72.

A retirement benefit equal to 71.3% of the current active salary of the position from which the member retired plus an additional 2.67% of compensation for each year of service beyond 25 years for judges and 24 years for solicitors and public defenders (subject to a maximum retirement allowance that does not exceed 90% of salary). The normal form of payment for a married member is a 33.3% joint and survivor annuity. Active members contribute 10% of compensation. Retirees receive increases in benefits based upon increases in the current salary of their respective active positions.

The **South Carolina National Guard Supplemental Retirement Plan** (SCNG), a single-employer defined benefit pension plan, was created effective July 1, 1975, and is governed by the provisions of Section 9-10-30 of the South Carolina Code of Laws for the purpose of providing supplemental retirement benefits to certain members who served in the South Carolina National Guard. National Guard members are considered to be federal government employees. The federal government pays Guard members' drill pay and summer camp pay. In accordance with State law, the State's General Fund pays Guard members' salaries only if the Governor activates the National Guard for service to the State. A monthly pension is payable at age 60 provided the member was honorably discharged from active duty with at least 20 years of total creditable military service. Of the 20 years total creditable military service, at least 15 must have been served in the South Carolina National Guard. Additionally, the last 10 years of service must have been served in the South Carolina National Guard. No cost-of-living increases are provided to SCNG retirees.

The pension benefit that the State provides is intended only to supplement the retirement benefit that Guard members receive from the federal government. Members who retire at age sixty with twenty years of military service, including at least fifteen years of South Carolina National Guard duty, ten of which immediately precede retirement, and who have received an honorable discharge, are entitled to monthly pension benefits. The pension amount is equal to $50 per month for twenty years of creditable service with an additional $5 per month for each additional year of service, provided that the total pension shall not exceed $100 per month.

Information regarding the number of participating employers and active members as of June 30, 2014, is as follows (dollars expressed in thousands):

	SCRS	PORS	GARS	JSRS	SCNG
State and school districts					
Number of employers	151	88	1	1	1
Annual covered payroll	$5,396,642	$ 366,777	$ 2,646	$ 17,837	N/A [a]
Average number of contributing members	132,068	9,651	170	153	N/A [b]
Other participating employers					
Number of employers	577	323	—	—	—
Annual covered payroll	$2,029,949	$ 705,426	$ —	$ —	$ —
Average number of contributing members	53,287	17,057	—	—	—

[a] Annual covered payroll is not applicable for SCNG because benefits are based on years of service.

[b] Members do not contribute; average number of members is 12,222.

The plans provide retirement, death, and disability benefits to State employees; public school employees; and employees of counties, municipalities, and certain other State political subdivisions. The SCNG provides retirement benefits to members that served in the South Carolina National Guard. Each plan is independent. Assets of each plan may be used only to benefit participants of that plan.

b. Summary of Significant Accounting Policies—Basis of Accounting and Valuation of Investments

The financial statements of the previously-described plans are prepared using the accrual basis of accounting. Employee contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Retirement benefits and refunded expenses are recognized when due and payable in accordance with the terms of each plan.

Note 1f specifies the method used to value pension trust fund investments.

c. Funding Policies

Article X, Section 16 of the South Carolina Constitution requires that all State-operated retirement plans be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws prescribes requirements relating to membership, benefits, and employee/employer contributions for each plan. The following paragraphs summarize those requirements.

By law, employee contribution requirements for the fiscal year ended June 30, 2014, were as follows:

Plan	Rate
SCRS	7.5% of earnable compensation
PORS	7.84% of earnable compensation
GARS	11.0% of earnable compensation
JSRS	10.0% of earnable compensation
SCNG	Non-contributory

Actuarially determined employer contribution rates, expressed as percentages of compensation, for the fiscal year ended June 30, 2014, were as follows:

Plan	Rate
SCRS	10.60%
PORS	12.84%
JSRS	47.97%

The GARS employer contribution of $4.063 million was actuarily determined and included incidental death benefits. The State appropriated $4.586 million to fund the SCNG actuarially determined employer contribution for the fiscal year ended June 30, 2014.

Under certain conditions, new employers entering the plans are allowed up to ten years to remit matching employer contributions resulting from their employees' purchase of prior service credits. Interest is assessed annually on the unpaid balance. There were no amounts outstanding at June 30, 2014 under this type of agreement.

d. Annual Pension Cost

The annual pension cost (dollars expressed in thousands) and related actuarial data for the State's single-employer defined benefit pension plans were as follows:

	GARS	JSRS	SCNG
Annual pension cost	$ 4,063	$ 9,659	$ 4,442
Employer contributions made	$ 4,063	$ 9,659	$ 4,586
Actuarial valuation date	July 1, 2013	July 1, 2013	July 1, 2013
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level dollar, closed	Level percent, open	Level dollar, closed
Remaining amortization period	14 years	28 years	19 years
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Actuarial assumptions:			
Investment rate of return	7.50%	7.50%	7.50%
Projected salary increases	None	3.00%	None
Assumed inflation rate	2.75%	2.75%	2.75%
Assumed cost-of-living adjustments	None	3.00%	None

The following represents the components of the net pension obligation (NPO) for the SCNG, at June 30, 2014 (expressed in thousands):

	SCNG
Actuarially required contribution (ARC).....	$ 4,586
Interest on the NPO.....	674
Adjustment to the ARC.....	(818)
Annual pension cost.....	4,442
Contributions made.....	(4,586)
Decrease in NPO.....	(144)
NPO beginning of year.....	8,989
NPO end of year.....	**$ 8,845**

e. Trend Information

Trend information indicates the progress made in accumulating sufficient assets to pay benefits when due.

For the cost-sharing multiple-employer defined benefit pension plans in which the State participates, the State's required contributions in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows. Also see Note 7f for funding status and progress.

	Fiscal Year Ended					
	June 30, 2014		June 30, 2013		June 30, 2012	
	(1) Required	% Contributed	(1) Required	% Contributed	Required	% Contributed
SCRS–State:						
Primary government.....	$ 122,348	100.0%	$ 123,651	100.0%	$ 255,277	100.0%
Component units.....	190,639	100.0%	187,620	100.0%	15,050	100.0%
PORS–State:						
Primary government.....	46,907	100.0%	44,393	100.0%	43,776	100.0%
Component units.....	3,350	100.0%	3,101	100.0%	85	100.0%

(1) In fiscal year 2013, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior years have not been restated.

The following table presents (dollars expressed in thousands) the annual pension cost, percentage of annual pension cost contributed, and the net pension obligation for the three latest available years for the State's single-employer defined benefit plans. Also see Note 7f for funding status and progress:

Plan	Fiscal Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
GARS	2014	$ 4,063	100.00%	$ —
	2013	2,831	100.00%	—
	2012	2,532	100.00%	—
JSRS	2014	9,659	100.00%	—
	2013	8,667	100.00%	—
	2012	8,414	100.00%	—
SCNG	2014	4,442	103.24%	8,845
	2013	4,405	103.04%	8,989
	2012	3,775	104.29%	9,123

f. Funding Status and Progress (Unaudited)

The following schedule (dollars expressed in thousands) describes the funding progress for the SCRS and the PORS, cost-sharing multiple-employer defined benefit plans, for the three latest available years:

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets *(a)*	Actuarial Accrued Liability (AAL) Entry Age *(b)*	Unfunded AAL (UAAL) *(b-a)*	Funded Ratio *(a/b)*	Covered Payroll *(c)*	UAAL as a Percentage of Covered Payroll *((b-a)/c)*
SCRS	2013	$ 25,753,068	$ 41,196,062	$ 15,442,994	62.5%	$ 7,434,820	207.7%
	2012	25,540,749	39,457,708	13,916,959	64.7%	7,356,231	189.2%
	2011	25,604,823	38,011,610	12,406,787	67.4%	7,687,558	161.4%
PORS	2013	3,922,041	5,663,756	1,741,715	69.2%	1,033,189	168.6%
	2012	3,808,934	5,357,492	1,548,558	71.1%	1,019,241	151.9%
	2011	3,728,241	5,122,501	1,394,260	72.8%	1,087,587	128.2%

The following schedule (dollars expressed in thousands) describes the funding progress for the State's single-employer defined benefit plans for the three latest available years:

Plan	Actuarial Valuation Date July 1	Actuarial Value of Assets *(a)*	Actuarial Accrued Liability (AAL) Entry Age *(b)*	Unfunded AAL (UAAL) *(b-a)*	Funded Ratio *(a/b)*	Covered Payroll *(c)*	UAAL as a Percentage of Covered Payroll *((b-a)/c)*
GARS	2013	$ 38,033	$ 75,639	$ 37,606	50.3%	$ 2,688	1399.0%
	2012	39,233	74,331	35,098	52.8%	3,854	910.7%
	2011	41,484	74,604	33,120	55.6%	3,854	859.4%
JSRS	2013	147,648	256,988	109,340	57.5%	20,407	535.8%
	2012	145,604	251,729	106,125	57.8%	19,221	552.1%
	2011	144,927	243,514	98,587	59.5%	18,661	528.3%
SCNG	2013	22,208	61,576	39,368	36.1%	N/A	N/A
	2012	20,814	60,942	40,128	34.2%	N/A	N/A
	2011	20,138	60,388	40,250	33.3%	N/A	N/A

Included among the measurements of long-term funding progress for defined benefit pension plans are whether a plan's funding ratio is increasing, whether a plan's unfunded liability (UAAL) as a percentage of covered payroll is decreasing, and whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities (AAL's) for benefits. The tables above present the results of those measurements.

g. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2014, for the plans administered by the South Carolina Retirement Systems were as follows:

	SCRS	PORS	GARS	JSRS	SCNG	Totals
Receivables:						
Contributions	$ 174,015	$ 20,548	$ 172	$ 751	$ 16	$ 195,502
Accrued interest	32,286	4,983	40	182	26	37,517
Unsettled investment sales	732,115	112,991	918	4,132	595	850,751
Other investment receivables	1,567	242	2	9	1	1,821
Total receivables	**$ 939,983**	**$ 138,764**	**$ 1,132**	**$ 5,074**	**$ 638**	**$ 1,085,591**
Due from other funds	**$ 268**	**$ 949**	**$ —**	**$ —**	**$ —**	**$ 1,217**
Investments and invested securities lending collateral:						
Short-term securities	$ 719,307	$ 111,015	$ 901	$ 4,060	$ 584	$ 835,867
Debt-domestic	4,926,250	760,296	6,174	27,804	4,002	5,724,526
Debt-international	2,133,683	329,303	2,675	12,043	1,733	2,479,437
Equity-domestic	2,176,128	335,854	2,727	12,283	1,768	2,528,760
Equity-international	5,102,975	787,571	6,396	28,801	4,146	5,929,889
Alternatives	7,965,558	1,229,369	9,983	44,958	6,472	9,256,340
Invested securities lending collateral	62,515	9,648	78	353	51	72,645
Total investments	**$ 23,086,416**	**$ 3,563,056**	**$ 28,934**	**$ 130,302**	**$ 18,756**	**$ 26,827,464**

h. Teacher and Employee Retention Incentive Program

The Teacher and Employee Retention Incentive (TERI) program, established by State law, became effective January 1, 2001. The program is a deferred retirement option available to SCRS members eligible for service retirement. Upon entering the TERI program, a member's status changes from active to retired. A TERI participant agrees to continue employment with an employer participating in the system for a specified period, not to exceed five years.

TERI participants retain the same status and employment rights they held upon entering the program but are not considered active employees for purposes of the disability retirement programs. A TERI retiree's monthly benefits are accrued and remain in the SCRS trust account during the TERI participation period, but no interest is accrued or paid thereon. Upon termination of employment or at the end of the TERI participation period (whichever is earlier), a retiree may roll over some or all of the accumulated TERI balance into a qualified, tax-sheltered retirement plan and/or receive a lump-sum distribution.

A total of 9,644 members were participating in the TERI program at June 30, 2014. The financial activity of the program (expressed in thousands) during the fiscal year ended June 30, 2014, was as follows:

Beginning balance of TERI trust accounts	$ 468,074
Additions	281,757
TERI distributions at termination	(179,664)
Ending balance of TERI trust accounts	**$ 570,167**

A deferred retirement option program also exists under the Retirement System for JSRS. A member who has not yet reached the age of 60 years, but who is eligible to retire and receive the maximum monthly benefit, may retire and continue to serve as a judge, a solicitor, or a circuit public defender. The member's normal monthly retirement benefit is deferred and placed in the system's trust fund on behalf of the member. Upon reaching the age of 60 years, the balance of the member's deferred retirement benefit is distributed to the member. As of June 30, 2014, there were no benefits held in trust.

i. Defined Contribution Plan

As an alternative to membership in SCRS, certain State, public school, and higher education employees and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election have the option to participate in the State Optional Retirement Program (State ORP). Participants in the State ORP direct the investment of their funds into a plan administered by one of four investment providers. The State assumes no liability for State ORP benefits. Rather, the benefits are the liability of the investment providers and are governed by the terms of the contracts that those providers issue. Accordingly, balances of the State ORP are not reported in the accompanying financial statements.

Under State law, contributions to the State ORP are at the same rates as for the SCRS (see Subsection c, Funding Policies). A direct remittance is required from the employers to the investment providers for the employee contribution (7.50%) and a portion of the employer contribution (5%). A direct remittance is also required to the SCRS for a portion of the employer contribution (5.45%) and a group life contribution (0.15%), which is retained by the SCRS. The activity for the State ORP is as follows (expressed in thousands):

Covered payroll	$1,171,274
Employee contributions	87,846
Employer contributions	58,564

NOTE 8: POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

a. Plan Description

In accordance with the South Carolina Code of Laws and the annual Appropriations Act, the State provides post-employment health and dental and long-term disability benefits (OPEB plans) to retired State and school district employees and their covered dependents. The OPEB plans have been determined to be cost-sharing multiple-employer defined benefit plans and are administered by the Insurance Benefits Division (IBD), a part of South Carolina Public Employee Benefit Authority. Generally, retirees are eligible for the health and dental benefits if they have established at least ten years of retirement service credit. For new hires on May 2, 2008 and after, retirees are eligible for benefits if they have established twenty-five years of service for 100% employer funding and fifteen through twenty-four years of service for 50% employer funding. Benefits become effective when the former employee retires under a State retirement system. Basic long-term disability (BLTD) benefits are provided to active state, public school district and participating local government employees approved for disability.

b. Funding Policies

Sections 1-11-705 through 1-11-710 of the South Carolina Code of Laws of 1976, as amended, requires these post-employment healthcare and long-term disability benefits be funded though annual appropriations by the General Assembly for active employees and participating retirees except the portion funded through the pension surcharge and provided from other applicable sources for active employees who are not funded by State General Fund appropriations.

Employers participating in the healthcare plan are mandated by State statute to contribute at a rate assessed each year by the Office of the State Budget, 4.92% of annual covered payroll for fiscal year 2014. The IBD sets the employer contribution rate based on a pay-as-you-go basis. The State paid $377.145 million applicable to the surcharge included with the employer contribution for retirement benefits for the fiscal year ended June 30, 2014. BLTD benefits are funded through a per person premium charged to State agencies, public school districts, and other participating local governments. The monthly premium per active employee was $3.22 for the fiscal year ended June 30, 2014.

Effective May 1, 2008, the State established two trust funds through Act 195 for the purpose of funding and accounting for the employer costs of retiree health and dental insurance benefits and long-term disability insurance benefits. The South Carolina Retiree Health Insurance Trust Fund (SCRHITF) is primarily funded through the payroll surcharge. Other sources of funding include additional State appropriated dollars ($2.375 million), accumulated PEBA-Insurance Benefits cash reserves ($93.521 million), and income generated from investments ($23.707 million). The Long Term Disability Insurance Trust Fund (LTDITF) is primarily funded through investment income and employer contributions.

c. Trend Information

The State's required contributions for the OPEB plans in dollars (expressed in thousands) and the percentages of those amounts contributed for the three latest available years were as follows:

	Fiscal Year Ended					
	June 30, 2014		June 30, 2013		June 30, 2012	
	Actuarially Required	% Contributed	Actuarially Required	% Contributed	Actuarially Required	% Contributed
SCRHI	$ 778,969	60.73%	$ 818,861	50.02%	$ 787,293	53.22%
LTDI	7,251	95.77%	9,410	72.23%	9,231	73.11%

d. Funding Progress

The schedule of funding progress for the OPEB plans based on the most recent actuarial valuation date is as follows (dollar amounts expressed in thousands):

OPEB Plan	Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll ([b-a] / c)
SCRHITF	2013	$ 668,972	$ 10,072,927	$ 9,403,955	7%	$ 7,471,142	126%
SCRHITF	2012	592,337	10,328,465	9,736,128	6%	7,161,059	136%
SCRHITF	2011	477,124	10,625,914	10,148,790	4%	7,127,657	142%
LTDITF	2013	35,426	28,248	(7,178)	125%	8,163,269	<1%
LTDITF	2012	35,576	23,586	(11,990)	151%	7,871,635	<1%
LTDITF	2011	33,283	24,957	(8,326)	133%	7,837,796	<1%

Complete financial statements for the OPEB plans and the trust funds may be obtained by writing to:

Insurance Benefits Division
South Carolina Public Employee Benefit Authority
202 Arbor Lake Drive
Columbia, SC 29223

e. Receivables and Investments

The principal components of receivables and investments (expressed in thousands) at June 30, 2014, for the OPEB plans administered by the Insurance Benefits Division were as follows:

	SCRHI	LTDI	Totals
Receivables:			
Accrued interest	**$ 4,365**	**$ 295**	**$ 4,660**
Due from other funds	**$ 54,316**	**$ —**	**$ 54,316**
Investments and invested securities lending collateral:			
Debt domestic	$ 585,188	$ 30,906	$ 616,094
Financial paper	40,133	2,601	42,734
Invested securities lending collateral	2,513	90	2,603
Total investments	**$ 627,834**	**$ 33,597**	**$ 661,431**

NOTE 9: INSURANCE ACTIVITIES

a. Insurance Reserve Fund

The State generally does not purchase commercial insurance for the risks of losses for property damage, including theft of, damage to, and destruction of assets; automobile liability; tort liability; and medical professional liability. Instead, State management believes it is more economical to manage its risks internally and set aside assets for claim settlement in its Insurance Reserve Fund (IRF), within the internal service funds. The IRF services claims for risk of loss to which the State is exposed, including the following: property insurance on government-owned buildings, the contents of such buildings, equipment, and automobiles; automobile liability insurance on government owned vehicles and school buses; tort liability insurance for government premises and operations; and medical professional liability for hospitals. Although the State is the predominant participant in the IRF, county and municipal governments, school districts and special purpose political subdivisions also participate. The IRF allocates the cost of providing claims servicing and claims payment by charging each participant an actuarially determined premium for the coverage provided.

The IRF reports liabilities when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Amounts for allocated and unallocated claims adjustment expenses have been included in the calculation of the unpaid claims liability. The liability is reported net of receivables for salvage, subrogation, and reinsurance. The unpaid policy claims liability includes a provision for reported claims and claims incurred but not reported. The liability for claims incurred but not reported is an actuarial estimate based on the most current historical claims experience. This process does not necessarily result in an exact amount. The IRF continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Actuarial Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 259,649	$ 72,921	$ (74,172)	$ 258,398
2013	244,520	79,507	(64,378)	259,649

The IRF purchases aircraft and ocean marine insurance, areas in which the IRF has limited expertise. The IRF also purchases reinsurance to limit losses in the areas of property, boiler and machinery, and automobile liability. The IRF purchases reinsurance for catastrophic losses in the area of property insurance for losses above $10.000 million per occurrence. Reinsurance permits partial recovery of losses from reinsurers; however, the IRF, as the direct insurer of the risks, remains primarily liable.

b. Employee Insurance Programs Fund

State law established the Employee Insurance Programs Fund, part of the State's internal service funds, to provide health and dental insurance coverage for eligible employees and retirees of State agencies and school districts and to provide group life and long-term disability insurance coverage to eligible active State and public school employees. The State, the predominant participant, retains the risk of loss. Under the health insurance program, participants elect coverage through either self-insured health maintenance organizations (HMO) or State self-insured plans. All dental, group life, and long-term disability coverages are provided through the State's self-insured plans. State funds and payroll deductions pay health and dental premiums for eligible State and public school employees. Agencies and school districts pay the employer share of premiums for retirees. Retirees directly pay their own share of premiums. Agencies and school districts pay the premiums for group life and long-term disability for their employees.

The Employee Insurance Programs Fund serves as the third party administrator for the Long-Term Disability Insurance Trust and the South Carolina Retiree Health Insurance Trust Fund collecting monthly premiums, processing claims, and providing other managerial and administrative responsibilities. Transfers to the LTDITF occur monthly for the Basic Long-Term Disability premiums. Likewise, monthly transfers are made from the Trust to cover the cost of claims. Refer to Note 8 for more information on the outstanding liability for Basic Long-Term Disability. Similar transactions occur monthly for the SCRHITF for which claims liability information is also available in Note 8.

The Employee Insurance Programs Fund establishes claims liabilities when information before the issuance of the financial statements indicates that a liability is probable and estimable at the date of the financial statements. The calculation of the unpaid claims liability includes amounts for allocated and unallocated claims adjustment expenses. The unpaid policy claims liability includes a provision for reported claims and for claims incurred but not reported. The Fund actuarially estimates the liability for claims incurred but not reported based on the most current historical claims experience including factors for changes in number of members and participants, inflation, award trends, and estimates of health care trend changes (cost, utilization, and intensity of services). This process does not necessarily result in an exact amount. The Fund

continually reviews estimates of liabilities for incurred claims and revises those estimates as changes occur. The current year's operating statement reflects the revisions.

Of the total claims liability reported for the Employee Insurance Programs Fund at June 30, 2014, $45 thousand relates to the HMO self-insured managed care plan liability. The State does not discount its claims liabilities for health and dental insurance coverage to present value.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 214,496	$ 1,836,473	$ (1,891,981)	$ 158,988
2013	176,801	1,817,587	(1,779,892)	214,496

c. State Accident Fund

State law established the State Accident Fund, an internal service fund, to provide workers' compensation insurance coverage to State entities. Although the State is the Fund's predominant participant, counties, municipalities, and other political subdivisions of the State may also elect to participate. The State assumes the full risk for workers' compensation claims.

The Fund investigates, adjusts, and pays workers' compensation claims as awarded by the Workers' Compensation Commission for job-related accidental injury, disease, or death to covered individuals. The Fund annually bills participating entities for estimated premiums based on the entity's estimated payroll modified for claims experience. After the policy period ends, policyholders submit the details of the actual salaries paid. The Fund then adjusts the premium using the actual payroll data.

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The claims liabilities include specific incremental claims adjustment expenses but not administrative expenses. The Fund deducts reasonably estimable amounts of salvage and subrogation and reinsurance recoverable, if any, on both settled and unsettled claims from the liability for unpaid claims. The Fund periodically recomputes claims liabilities using a variety of actuarial and statistical techniques to produce current estimates. The Fund charges or credits expense in the period when it adjusts claims liabilities. Policy claims in the financial statements include the liabilities for claims reported but not yet paid and for claims incurred but not reported. Because actual claims costs depend on such complex factors as inflation, changes in legal doctrines, and damage awards, computation of the claims liability does not necessarily result in an exact amount.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 236,000	$ 62,387	$ (50,287)	$ 248,100
2013	235,450	53,271	(52,721)	236,000

The Fund has entered into a reinsurance agreement to reduce its exposure to catastrophic losses on insured events. Losses in excess of $1.000 million are covered up to limits of statutory liability; the Fund retains the risk for the first $1.000 million of loss. Reinsurance reduces the Fund's exposure to losses on insured events related to State-owned aircraft in excess of $1.000 million per occurrence up to a limit of $9.000 million. Reinsurance permits partial recovery of losses from reinsurers; however, the Fund, as the direct insurer of the risks, remains primarily liable.

d. Uninsured Employers' Fund

The Uninsured Employers' Fund was established by Section 42-7-200, which effective July 1, 2013 the powers, duties, obligations and responsibilities of the Second Injury Fund that relate to the South Carolina Workers' Compensation Uninsured Employers' Fund were devolved upon the South Carolina Workers' Compensation Uninsured Employers' Fund within the State Accident Fund. This fund is included in the Other Special Revenue Fund located in Exhibit D-1.

Per Section 42-7-200(a) of the South Carolina Code of Laws of 1976, as amended, the Uninsured Employers' Fund issues payment of awards of workers' compensation benefits, which are unpaid because of employers who fail to acquire necessary coverage for employees. Funding for payment of awards is provided from collections of the tax on insurance carriers and self-insured persons in an amount sufficient to maintain the fund.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 95,884	$ (41,525)	$ (6,359)	$ 48,000
2013	43,224	105,574	(52,914)	95,884

e. Patients' Compensation Fund and Medical Malpractice Liability Insurance Joint Underwriting Association

The South Carolina Medical Malpractice Patients' Compensation Fund (PCF) and the South Carolina Medical Malpractice Liability Insurance Joint Underwriting Association (JUA) were created by State law. The PCF is accounted for as a nonmajor enterprise fund, and the JUA is a nonmajor discretely presented component unit of the State. The State accounts for the PCF and the JUA as insurance enterprises because they primarily cover non-governmental entities. Accordingly, the PCF and JUA follow the guidance of FASB ASC 944, *Financial Services - Insurance*, and collectively are referred to below as "the insurance enterprises."

The JUA is responsible for payment of that portion of any covered entity's medical malpractice claim, settlement, or judgment up to$200 thousand per incident or $600 thousand in the aggregate for one year. The PCF is responsible for payments exceeding these thresholds.

Licensed health care providers include physicians and surgeons, directors, officers and trustees of hospitals, nurses, oral surgeons, dentists, pharmacists, chiropractors, hospitals, nursing homes, and any similar category of health care providers required to obtain a license to practice in the state. All providers licensed in South Carolina are eligible to participate upon remittance of the annual assessment fees.

The State actuarially establishes claims liabilities for the insurance enterprises based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims that have been incurred but not reported. The policy claims liabilities for the PCF and for the JUA include a provision for claims reported but not settled and for claims incurred but not reported. Amounts for claims adjustment expenses, when applicable, have been included in the calculation of the unpaid claims liabilities of the insurance enterprises. The enterprises charge or credit expense, as appropriate, in the period when they adjust claims liabilities. The length of time for which claims costs must be estimated varies depending on the coverage involved. Because actual claims costs depend on such complex factors as medical technology, changes in doctrines of legal liability, and damage awards, the process for computing claims liabilities does not necessarily result in an exact amount. The insurance enterprises and their actuaries recompute claims liabilities annually, using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit because the insurance enterprises and their actuaries rely both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience.

Changes in the balances of claims liabilities for the PCF during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2014	$ 90,453	$ (8,070)	$ (10,115)	$ 72,268
2013	112,209	(3,727)	(18,029)	90,453

Changes in the balances of claims liabilities for the JUA during the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 110,508	$ 2,117	$ (20,450)	$ 92,175
2012	124,891	14,091	(28,474)	110,508

f. Second Injury Fund

The Second Injury Fund, a major enterprise fund, was created by Code of Laws Section 42-7-310. It established the guidelines by which to pay compensation claims in those cases where an individual having an existing permanent physical

impairment incurs a subsequent disability from injury by accident arising out of and in the course of employment. Funding for payment of compensation awards and for Fund operating costs is provided by equitable assessments upon all workmen's compensation insurance carriers, self-insurers, and the South Carolina State Accident Fund (approximately 360 entities). Participation is mandatory as required by State law. Participants of the fund are responsible for the fund's liabilities. Payments of claims and awards are made directly to the carriers and self-insurers. The State of South Carolina will not be responsible for any expense or liabilities of the fund, except the State Accident Fund, who is a participant in the fund.

Changes in the balances of claims liabilities during the past two years were as follows (expressed in thousands):

Fiscal Year Ended June 30	Beginning of Fiscal Year Liability (as Restated)	Current Year Claims and Changes in Estimates (as Restated)	Claim Payments (as Restated)	Balance at Fiscal Year-End (as Restated)
2014	$ 340,067	$ 180	$ (30,705)	$ 309,542
2013	294,239	98,484	(52,656)	340,067

With the ratification of the Workers' Compensation Reform Act the Second Injury Fund has been placed in "run-off" and was terminated effective July 1, 2013. The Act provides for an orderly termination of the Fund through decreasing the assessment calculation factor, closing the acceptance of new claims, and transferring any remaining claims as of July 1, 2013 to the State Accident Fund and any remaining assets or operational liabilities to the Budget and Control Board.

g. Discretely Presented Component Unit—Public Service Authority (Santee Cooper)

The Public Service Authority (Santee Cooper), a major discretely presented component unit with a fiscal year ended December 31, is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; and errors and omissions. The Authority purchases commercial insurance to cover these risks, subject to coverage limits and various exclusions. Settled claims resulting from these risks did not exceed commercial insurance coverage in 2013. Policies are subject to deductibles ranging from $500 to $2.0 million, with the exception of named storm losses which carry deductibles from $2.0 million up to $5.0 million. Also a $1.4 million general liability self-insured layer exists between the Authority's primary and excess liability policies. During 2013, there were minimal payments made for general liability claims.

The Authority is self-insured for auto, dental, workers' compensation and environmental incidents that do not arise out of an insured event. The Authority purchases commercial insurance, subject to coverage limits and various exclusions, to cover automotive exposure in excess of $2.0 million per incident. Risk exposure for the dental plan is limited by plan provisions. Estimated exposure for workers' compensation is based on an annual actuarial study using loss and exposure information valued as of June 30, 2013. There have been no third-party claims for environmental damages for 2013.

The Authority is exposed to additional risks specific to the utilities industry including nuclear incidents. The maximum liability for public claims arising from any nuclear incident has been established at $13.6 billion by the Price-Anderson Indemnification Act. This $13.6 billion would be covered by nuclear liability insurance of $375.0 million per reactor unit, with potential retrospective assessments of up to $127.3 million per licensee for each nuclear incident occurring at any reactor in the United States (payable at a rate not to exceed $18.9 million per incident, per year). Based on its one-third interest in V.C. Summer Nuclear Unit 1, the Authority could be responsible for the maximum assessment of $42.4 million, not to exceed approximately $6.3 million per incident, per year. This amount is subject to further increases to reflect the effect of (i) inflation, (ii) the licensing for operation of additional nuclear reactors and (iii) any increase in the amount of commercial liability insurance required to be maintained by the NRC.

Additionally, SCE&G and the Authority maintain, with Nuclear Electric Insurance Limited (NEIL), $500.0 million primary and $2.25 billion excess property and decontamination insurance to cover the costs of cleanup of the facility in the event of an accident. SCE&G and the Authority also maintain accidental outage insurance to cover replacement power costs (within policy limits) associated with an insured property loss. In addition to the premiums paid on these three policies, SCE&G and the Authority could also be assessed a retrospective premium, not to exceed ten times the annual premium of each policy, in the event of property damage to any nuclear generating facility covered by NEIL. Based on current annual premiums and the Authority's one-third interest, the Authority's maximum retrospective premium would be approximately $3.8 million for the primary policy, $4.0 million for the excess policy and $1.4 million for the accidental outage policy.

SCE&G and the Authority maintain builder's risk insurance and marine cargo insurance for the V.C. Summer Units 2 and 3 construction. The builder's risk policy provides coverage of $2.75 billion accidental nuclear property damage with a sub-limit of $500.0 million for accidental property damage that is caused by or results from any covered peril other than radioactive contamination resulting from nuclear reaction, nuclear radiation or the release of radioactive materials, with deductibles ranging from $250 thousand to $5.0 million. This policy also carries a potential retrospective premium of approximately $42.0 million. Based on the Authority's current 45 percent ownership interest, the Authority's maximum

retrospective premium would be approximately $18.9 million. The marine cargo/transit policy provides coverage of $300.0 million, with deductibles ranging from $25 thousand to $75 thousand.

The Authority is self-insured for any retrospective premium assessments, claims in excess of stated coverage or cost increases due to the purchase of replacement power associated with an uninsured event. Management does not expect any retrospective assessments, claims in excess of stated coverage or cost increases for any periods through December 31, 2013.

The State reports all of the Authority's risk management activities within the Public Service Authority's accounts. The State reports the Authority's claims expenses and liabilities when it is probable that a loss has occurred and the amount of the loss is reasonably estimable.

Changes in the reported liability in each of the past two years were as follows (expressed in thousands):

Fiscal Year Ended December 31	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year-End
2013	$ 1,778	$ 2,940	$ (2,180)	$ 2,538
2012	1,612	2,392	(2,226)	1,778

NOTE 10: LEASES

a. Capital Leases

The State leases land, office facilities, equipment, and other assets under both capital and operating leases. The present value of future minimum capital lease payments and total minimum annual lease payments for capital leases recorded in the government-wide statement of net assets at June 30, 2014 for the primary government and the State's discretely presented component units were as follows (expressed in thousands):

Fiscal Year Ending June 30	Primary Government Governmental Activities
2015	$ 2,008
2016	1,952
2017	1,858
2018	1,828
Total minimum payments	**7,646**
Less: interest and executory costs	(1,642)
Net minimum payments	**$ 6,004**

Fiscal Year Ending December 31	Discretely Presented Component Unit Public Service Authority
2014	$ 244
Total minimum payments	**244**
Less: interest and executory costs	(7)
Net minimum payments	**$ 237**

	Discretely Presented Component Units		
Fiscal Year Ending June 30	Clemson University	MUSC	USC
2015	$ 1,043	$ 555	$ 1,659
2016	1,043	371	1,669
2017	1,027	33	5,505
2018	723	20	1,227
2019	574	—	1,220
2020-2024	2,872	—	4,989
2025-2029	2,872	—	4,973
2030-2034	2,872	—	1,720
2035-2038	2,128	—	—
Total minimum payments	**15,154**	**979**	**22,962**
Less: interest and executory costs	(191)	(49)	(6,310)
Net minimum payments	**$ 14,963**	**$ 930**	**$ 16,652**

Assets under capital leases recorded in the accompanying government-wide statement of net assets at June 30, 2014, were as follows (expressed in thousands):

	Primary Government	Discretely Presented Component Units			
Assets Acquired Under Capital Leases	Governmental Activities	Public Service Authority	Clemson University	MUSC	USC
Land and non-depreciable improvements	$ —	$ —	$ —	$ —	$ 270
Buildings and improvements	—	10,200	14,300	—	18,815
Machinery and equipment	922	—	2,023	3,339	548
Works of art and historical treasures	—	—	—	—	204
Assets acquired under capital leases before accumulated amortization	**922**	**10,200**	**16,323**	**3,339**	**19,837**
Less: accumulated amortization	(767)	(8,700)	(1,019)	(1,868)	(3,026)
Assets acquired under capital leases, net	**$ 155**	**$ 1,500**	**$ 15,304**	**$ 1,471**	**$ 16,811**

b. Operating Leases

For the primary government's fiscal year ended June 30, 2014, minimum rental payments under operating leases were $46.343 million and contingent rental payments were $3.198 million. The State's contingent rental payments are primarily for copiers, with expense being determined on a cost-per-copy basis.

For the Public Service Authority, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled $1.700 million. The Housing Authority, a major discretely presented component unit, had minimum rental payments under operating leases for the fiscal year which totaled $348 thousand. For Clemson University, a major discretely presented component unit, minimum rental payments under operating leases for the fiscal year totaled $122 thousand. MUSC, a major discretely presented component unit, had minimum rental payments under operating leases for the fiscal year which totaled $4.087 million. USC, a major discretely presented component unit, had minimum rental payments under operating leases for the fiscal year which totaled $3.340 million. For the State Ports Authority, a major discretely presented component unit, minimum rental payments under operating leases with terms of less than twelve months totaled $1.614 million for the fiscal year.

At June 30, 2014, future minimum payments under noncancelable operating leases with remaining terms in excess of one year were as follows (expressed in thousands):

Fiscal Year Ending June 30	Governmental Activities	Business-type Activities	Totals
2015	$ 24,029	$ 37	$ 24,066
2016	20,951	37	20,988
2017	17,743	36	17,779
2018	14,370	4	14,374
2019	11,827	4	11,831
2020-2024	27,689	—	27,689
2025-2029	2,436	—	2,436
2030-2034	379	—	379
2035-2039	5	—	5
Thereafter	10	—	10
Net minimum payments	**$ 119,439**	**$ 118**	**$ 119,557**

Fiscal Year Ending December 31	Discretely Presented Component Unit Public Service Authority
2014	$ 1,045
2015	711
2016	600
2017	600
2018	600
Net minimum payments	**$ 3,556**

	Discretely Presented Component Units			
Fiscal Year Ending June 30	Housing Authority	Clemson University	MUSC	USC
2015	$ 353	$ 55	$ 16,189	$ 2,277
2016	360	41	11,023	970
2017	124	26	7,169	506
2018	—	—	3,634	443
2019	—	—	2,550	337
2020-2024	—	—	6,047	655
2025-2029	—	—	2,122	500
2030-2034	—	—	—	500
2035-2038	—	—	—	400
Net minimum payments	**$ 837**	**$ 122**	**$ 48,734**	**$ 6,588**

c. Facilities and Equipment Leased to Others

At June 30, 2014, the State agencies within the primary government had leased to non-State parties certain land, facilities, or equipment having a cost of approximately $54.077 million and related accumulated depreciation of $12.220 million. In addition at June 30, 2014, the State Ports Authority, a major discretely presented component unit, had leased to non-State parties certain land and facilities having a cost of approximately $14.021 million and related accumulated depreciation of $9.067 million. Also, at June 30, 2014, MUSC, a major discretely presented component unit, had leased to non-State parties certain land and facilities having a cost of approximately $27.112 million and related accumulated depreciation of $12.767 million. Future minimum rental payments to be received at June 30, 2014, under these operating leases were as follows (expressed in thousands):

	Primary Government	Discretely Presented Component Units	
Fiscal Year Ending June 30	Governmental Activities	State Ports Authority	MUSC
2015	$ 4,307	$ 1,889	$ 898
2016	2,296	2,036	883
2017	2,064	1,402	828
2018	1,887	1,223	828
2019	1,191	1,178	828
2020-2024	3,096	5,562	2,651
2025-2029	272	4,084	421
2030-2034	114	4,180	421
2035-2039	—	4,332	421
Thereafter	—	3,046	8,584
Total	**$ 15,227**	**$ 28,932**	**$ 16,763**

NOTE 11: BONDS AND NOTES PAYABLE

a. General Obligation Bonds

General obligation bonds are backed by the full faith, credit, and taxing power of the State. General obligation bonds outstanding at June 30, 2014, were (net of unamortized premiums/discounts, expressed in thousands):

Governmental Activities:		
Capital improvement bonds, 4.00% to 5.00%, maturing serially through 2019	$	148,642
State highway bonds, 2.00% to 5.00%, maturing serially through 2023		358,484
State school facilities bonds, 5.00%, maturing serially through 2018		143,868
Infrastructure Bank bonds, 2.50% to 5.00%, maturing serially through 2028		44,533
State economic development bonds, 1.00% to 6.50%, maturing serially through 2031		436,379
Research university infrastructure bonds, 3.00% to 5.00%, maturing serially through 2029		149,609
Air carrier hub terminal facilities bonds, 1.00% to 4.00%, maturing serially through 2025		39,017
Totals—primary government	**$**	**1,320,532**
Major Discretely Presented Component Units:		
Clemson University institution bonds, 2.50% to 5.00%, maturing serially through 2034	$	124,705
University of South Carolina institution bonds, 2.25% to 5.25%, maturing serially through 2034		116,035
Medical University of South Carolina institution bonds, 2.25% to 5.00%, maturing serially through 2031		40,517

At June 30, 2014, $6.344 million of capital improvement bonds, $106 million of State highway bonds, $77.185 million of State economic development bonds, and $13.680 million of State research university infrastructure bonds were authorized by the General Assembly but unissued.

At June 30, 2014, future debt service requirements for general obligation bonds for the primary government were (expressed in thousands):

	Governmental Activities	
Year Ending June 30	**Principal**	**Interest**
2015	$ 201,950	$ 55,301
2016	177,470	46,462
2017	142,080	35,649
2018	124,505	28,663
2019	112,555	22,709
2020-2024	378,500	49,416
2025-2029	79,110	5,386
2030-2032	6,360	209
Total debt service requirements	**1,222,530**	**$ 243,795**
Unamortized premiums	98,002	
Total principal outstanding	**$ 1,320,532**	

The Department of Transportation Special Revenue Fund, a major governmental fund, pays the debt service for the State highway bonds. The Local Government Infrastructure Fund, a major governmental fund, pays the debt service for the Infrastructure Bank bonds. The General Fund pays the debt service for the other general obligation bonds recorded for governmental activities.

Rather than directly limiting the amount of outstanding general obligation debt, State law imposes a limitation on annual debt service expenditures. The legal annual debt service margin at June 30, 2014, was $35.949 million for highway bonds,

$207.442 million for general obligation bonds excluding institution and highway bonds, $7.407 million for economic development bonds, and $10.237 million for research university infrastructure bonds. Excluded from the debt service limit calculations are a $170 million 2010 issue and an $85 million 2013 issue of economic development bonds and a $50 million 2010 issue of air carrier hub terminal facilities bonds which by State Law are not subject to the limitation on maximum annual debt service.

As of the last reporting date of the component units, future debt service requirements for general obligation bonds of the State's major discretely presented component units were as follows (expressed in thousands):

	Clemson University		Medical University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2015	$ 6,155	$ 5,115	$ 4,210	$ 1,698
2016	6,180	5,054	4,360	1,525
2017	6,480	4,756	4,495	1,346
2018	5,095	4,444	4,035	1,156
2019	4,800	4,204	3,460	989
2020-2024	33,195	16,503	10,430	3,149
2025-2029	34,105	8,765	5,635	1,471
2030-2034	20,760	1,889	2,655	201
Total debt service requirements	**116,770**	**$ 50,730**	**39,280**	**$ 11,535**
Unamortized premiums	7,935		1,237	
Total principal outstanding	**$ 124,705**		**$ 40,517**	

	University of South Carolina	
Year Ending June 30	**Principal**	**Interest**
2015	$ 9,395	$ 4,901
2016	9,700	4,596
2017	7,725	4,181
2018	8,065	3,825
2019	8,395	3,462
2020-2024	41,990	11,079
2025-2029	22,365	3,979
2030-2034	8,400	785
Total debt service requirements	**$ 116,035**	**$ 36,808**

The State is authorized by the State Constitution to issue general obligation state institution bonds on behalf of state universities and technical colleges (included as discretely presented component units). Under state law, if an institution is unable to pay debt service from tuition fees, the General Fund would assume responsibility. These state institution bonds are presented as liabilities in the stand-alone audited financial statements of the respective universities and technical colleges. In addition to the general obligation nature of the bonds, state institution bonds are secured by the pledge of revenues from tuition fees received by the particular university or technical college for which the bonds are issued. The maximum annual debt service on the state institution bonds for a university or technical college may not exceed 90 percent of the tuition fees received for the fiscal year next preceding. Tuition fee receipts for each university or technical college are earmarked by the State to support the principal and interest payments for the applicable state institution bonds. State institution bonds and bond anticipation notes of $491.52 million were outstanding at June 30, 2014.

b. Limited Obligation Bonds

Limited obligation bonds are not backed by the full faith, credit, and taxing power of the State. Limited obligation bonds outstanding at June 30, 2014, which are reported in the internal service funds, totaled $919 thousand and mature serially through 2016. Interest rates on these bonds ranged from 4.75% to 6.1%. At June 30, 2014, there were no limited obligation bonds authorized but unissued.

The State issued limited obligation lease revenue bonds to finance the cost of capital facilities for use by certain State agencies. Pledges of lease rental payments that the agencies will pay from their governmental funds secure the bonds.

At June 30, 2014, future debt service requirements for limited obligation bonds were (expressed in thousands):

	Governmental Activities (Internal Service Funds)	
Year Ending June 30	**Principal**	**Interest**
2015	$ 735	$ 32
2016	185	9
Total debt service requirements	**920**	**$ 41**
Unamortized discounts	(1)	
Total principal outstanding	**$ 919**	

The internal service funds pay all debt service for the lease revenue bonds.

c. Revenue, Infrastructure Bank, and Other Bonds and Notes

Revenue debt is not backed by the full faith, credit, and taxing power of the State. Revenue, Infrastructure Bank, and other bonds and notes outstanding at June 30, 2014, were (net of unamortized premiums/discounts, expressed in thousands):

	Bonds	Notes
Primary Government:		
Governmental Activities:		
Infrastructure Bank bonds, 0.70% to 5.50%, maturing serially through 2041	$ 2,016,518	$ —
Heritage Trust Revenue bonds, 4.00% to 4.25%, maturing in 2022	12,316	—
Department of Public Safety bonds, 5.00%, maturing through 2018	8,756	—
Judicial Department note, 1.92%, maturing in 2016	—	793
Corrections Department notes, 1.81% to 5.97%, maturing through 2020	—	11,858
Criminal Justice Academy note, 3.41%, maturing through 2016	—	3,425
Department of Revenue note, 1.43%, maturing through 2015	—	157
Budget and Control Board notes, 3.20% to 3.74%, maturing through 2018	—	2,032
Totals—governmental activities	**2,037,590**	**18,265**
Business-Type Activities:		
Nonmajor enterprise fund bonds and notes, 0.19% to 3.84%, maturing through 2038	**6,210**	**—**
Totals—primary government	**$ 2,043,800**	**$ 18,265**
Major Discretely Presented Component Units:		
Public Service Authority bonds, 1.10% to 8.37%, maturing serially through 2053	$ 6,544,850	$ —
Clemson University bonds and notes, 2.00% to 6.00%, maturing serially through 2031	50,717	—
University of South Carolina bonds and notes, 2.00% to 5.50%, maturing serially through 2031	440,221	5,799
Medical University of South Carolina bonds and notes, 4.00% to 4.30%, maturing serially through 2031	522,159	47,598
State Ports Authority bonds and notes, 2.56% to 5.50%, maturing serially through 2041	167,491	29,458
State Housing Authority bonds and notes, 0.60% to 6.00%, maturing serially through 2042	539,249	—

Debt Derivatives

Transportation Infrastructure Bank

The Transportation Infrastructure Bank, reported in the Local Government Infrastructure Fund, a major governmental fund, is a party to interest rate exchange agreements with a termination date of October 1, 2031, to enhance the interest cost savings and offset changes in tax-exempt variable interest rates on certain revenue bonds. Under these variable-to-fixed interest rate exchanges, for the 2003B-1 and 2003B-3 agreements, the Bank pays a 3.859% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bonds. For the 2003B-2 agreement, the Bank pays a 3.932% fixed rate on a notional amount, having an amortization schedule equal to that of the revenue bond. In return, the counterparties of the agreement pay the Bank a variable rate equal to 67.0% of the one-month London Interbank Offered Rate (LIBOR), plus 0.75%, or 75.0% of the one-month LIBOR plus 0.885%, depending on the participating bank, on such notional amount. For the fiscal year ended June 30, 2014, the Bank made variable bond interest payments of $3.391 million and fixed rate payments on the exchange agreement of $13.862 million. The Bank received variable swap payments on the exchange agreement of $412 thousand. The June 30, 2014, mark to market value of this swap was negative $21.801 million,

representing a decrease in fair value of $4.766 million from prior year. The deferred outflow of the interest rate swap and the derivative instrument liability are shown on the statement of net position.

University Medical Associates

University Medical Associates of the Medical University of South Carolina (UMA) is a discretely presented component unit and part of the Medical University of South Carolina, a major discretely presented component unit. UMA entered into an interest rate swap agreement with a financial institution to modify interest rates on certain bonds by converting the variable interest rate into a rate equal to 2.98% plus 8% of the one-month LIBOR rate. The interest rate swap agreement matures on July 1, 2037. The notional amount as of June 30, 2014 is $62.085 million, which equals the principal outstanding. Under the swap agreement, UMA pays the financial institution a fixed interest payment of 2.10% and receives a variable payment equal to 67.0% of the one-month LIBOR rate. The variable rate in effect at June 30, 2014 was 0.10%. The fair value of this swap, estimated using the zero-coupon method, was negative $1.592 million as of June 30, 2014. The negative fair value of the cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred inflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the cash flow hedge swap from June 30, 2013 of $829 thousand is not recognized in these financial statements.

In addition, UMA has entered into an interest rate swap agreement with a financial institution to modify interest rates on an outstanding term loan in an effort to convert its variable rate to a synthetic fixed rate of 3.87%. The swap agreement related to the term loan matures January 2, 2019. The notional amount as of June 30, 2014 was $17.378 million, which equaled the principal outstanding on the term loan. Under this swap agreement, UMA pays the financial institution a fixed interest payment of 3.87% on the term loan. UMA receives a variable payment equal to the one-month LIBOR rate plus 1.30% on the swap associated with the taxable term loan. The variable rate for the term loan in effect at June 30, 2014 was 1.45%. The fair value of the term loan swap, estimated using the zero-coupon method, was negative $668 thousand as of June 30, 2014. The negative fair value of the term loan cash flow hedge swap has been recorded on the statement of net position as an asset and offset by an identical amount for the deferred outflows from this swap since the swap is considered an effective hedging instrument. The increase in the fair value of the term loan cash flow hedge swap from June 30, 2012 of $261 thousand is not recognized in these financial statements.

As of June 30, 2014, debt service requirements of the UMA variable rate debt and net swap payments, assuming current interest rates remain the same for their term, were as follows (expressed in thousands):

Year Ending	Variable Rate Debt		Interest Rate	
June 30	Principal	Interest	Swaps, Net	Totals
2015	$ —	$ 617	$ 1,242	$ 1,859
2016	—	617	1,242	1,859
2017	—	617	1,242	1,859
2018	—	617	1,242	1,859
2019	1,700	599	1,209	3,508
2020-2024	14,185	2,556	5,149	21,890
2025-2029	14,505	1,869	3,767	20,141
2030-2034	16,645	1,087	2,191	19,923
2035-2038	15,050	230	463	15,743
Totals.....	**$ 62,085**	**$ 8,809**	**$ 17,747**	**$ 88,641**

State Ports Authority

The State Ports Authority, a major discretely presented component unit, is a party in two interest swap contracts intended to manage interest expense of fixed-rate debt. The contracts provide that the Authority will pay the swap provider interest on a notional amount at a fixed rate of 3.67%, and the swap provider will pay the Authority at a rate based on 70.0% of the one-month LIBOR on such notional amount. The notional amounts at June 30, 2014 were $56.543 million and $24.233 million. The swap contracts expire on July 1, 2026.

In addition, the Authority entered into a third interest swap contract intended to manage interest expense and offset the effects of its other interest rate swaps previously executed. This agreement provides that the Authority will pay the swap provider interest on a notional amount at a variable rate equal to the SIFMA Municipal Swap Index rate on the first day of each month through expiration on July 1, 2026. The swap provider will pay the Authority at a fixed rate of 3.51%. The notional amount under this swap agreement is $80.775 million at June 30, 2014.

As of June 30, 2014, the swaps had a negative fair value of approximately $1.870 million. The unrealized loss related to these agreements recorded at June 30, 2014 is $436 thousand and is included in interest expense on the Statement of Activities.

Pledged Revenues for Payment of Debt

Certain revenue bonds require the individual business-type activities to provide sufficient revenue to pay debt service and to fund all necessary expenses of the activities. The funds that receive the proceeds of revenue, Infrastructure Bank, and other bonds and notes have pledged revenues for payment of debt service as follows:

Primary Government:

Governmental Activities:

Infrastructure Bank bonds: fees and interest revenues recorded in the Local Government Infrastructure Fund, a major governmental fund

Heritage Trust bonds: revenues derived from a portion of State Deed Recording Fee dedicated to the Heritage Land Trust Fund

Corrections Department note: farm facility revenues

Budget and Control Board bonds: loan repayments

Major Discretely Presented Component Units:

Public Service Authority bonds: Public Service Authority revenues

Clemson University: various specific higher education revenues

University of South Carolina: various specific higher education revenues

Medical University of South Carolina: various specific higher education revenues

State Ports Authority bonds: State Ports Authority revenues

State Housing Authority bonds and note: revenues of the Housing Authority Fund, a major enterprise fund

Debt Service Requirements

At June 30, 2014, future debt service requirements for revenue, Infrastructure Bank, and other bonds and notes of the primary government were as follows (expressed in thousands):

	Primary Government			
	Governmental Activities		Business-Type Activities	
Year Ending June 30	Principal	Interest	Principal	Interest
2015	$ 77,498	$ 90,792	$ 155	$ 9
2016	83,765	86,804	160	9
2017	62,279	83,152	165	9
2018	77,376	79,678	175	9
2019	79,640	75,715	180	8
2020-2024	374,974	319,539	1,030	37
2025-2029	398,245	229,542	1,275	29
2030-2034	518,610	124,502	1,560	19
2035-2039	182,245	44,256	1,510	6
2040-2042	86,453	4,597	—	—
Total debt service requirements	**1,941,085**	**$ 1,138,577**	**6,210**	**$ 135**
Net unamortized premiums	114,770		—	
Total principal outstanding	**$ 2,055,855**		**$ 6,210**	

The fiscal year for the Public Service Authority ends December 31 while the fiscal year for Clemson University, the University of South Carolina, the Medical University of South Carolina, and the State Ports Authority ends June 30. These entities are major discretely presented component units. At December 31, 2013, the carrying value of the Public Service Authority's debt was $6.447 billion while the fair value was approximately $7.0 billion. At June 30, 2014, the carrying value of the State Ports Authority debt was $194.798 million while the fair value was approximately $182.816 million. The fair values were estimated using current rates available to the entities for similar borrowing arrangements and on the market rate of comparable traded debt.

As of the last reporting date of the component units, future debt service requirements for bonds and notes of the State's major discretely presented component units were as follows (expressed in thousands):

	Public Service Authority	
Year Ending December 31	**Principal**	**Interest**
2014	$ 121,775	$ 312,201
2015	555,502	296,367
2016	333,878	283,381
2017	242,690	270,291
2018	191,822	260,770
2019-2023	974,581	1,155,976
2024-2028	670,884	972,057
2029-2033	757,025	802,882
2034-2038	848,755	590,684
2039-2043	838,615	380,331
2044-2048	492,600	194,209
2049-2050	374,165	51,177
Total debt service requirements	**6,402,292**	**$ 5,570,326**
Unamortized premiums	142,558	
Total principal outstanding	**$ 6,544,850**	

	Clemson University		University of South Carolina	
Year Ending June 30	**Principal**	**Interest**	**Principal**	**Interest**
2015	$ 7,525	$ 1,536	$ 16,644	$ 19,139
2016	7,815	1,248	12,595	18,642
2017	8,255	1,080	13,105	18,137
2018	8,460	864	13,295	17,581
2019	2,665	661	13,820	17,057
2020-2024	11,905	1,954	77,330	75,357
2025-2029	2,640	119	88,530	56,152
2030-2034	—	—	94,605	34,451
2035-2039	—	—	69,425	12,125
2040-2043	—	—	13,840	1,571
Total debt service requirements	**$ 49,265**	**$ 7,462**	**$ 413,189**	**$ 270,212**
Unamortized discounts and premiums	1,452		32,831	
Total principal outstanding	**$ 50,717**		**$ 446,020**	

Year Ending June 30	Medical University of South Carolina Principal	Interest
2015	$ 25,659	$ 17,759
2016	26,408	16,790
2017	26,764	15,872
2018	26,654	15,005
2019	27,509	14,132
2020-2024	140,077	57,699
2025-2029	147,105	35,346
2030-2034	128,145	11,477
2035-2038	21,436	1,007
Total debt service requirements	**$ 569,757**	**$ 185,087**

Year Ending June 30	State Ports Authority Principal	Interest	State Housing Authority Principal	Interest
2015	$ 6,029	$ 9,068	$ 12,825	$ 23,046
2016	6,249	8,838	15,440	22,571
2017	6,517	8,539	16,615	22,010
2018	6,810	8,230	17,600	21,351
2019	7,114	7,906	17,590	20,619
2020-2024	56,959	33,333	91,175	90,982
2025-2029	28,730	22,579	105,370	67,302
2030-2034	26,130	16,081	114,965	40,942
2035-2039	33,970	8,030	81,420	16,049
2040-2042	16,290	439	56,145	2,495
Total debt service requirements	**194,798**	**$ 123,043**	**529,145**	**$ 327,367**
Unamortized premiums and discounts.	2,151		10,104	
Total principal outstanding	**$ 196,949**		**$ 539,249**	

Interest Expense

Borrowing is essential to the continuation of programs associated with certain entities reported within the primary government's governmental activities. The primary government reported interest expense during the fiscal year ended June 30, 2014, in governmental functions for these entities as follows (expressed in thousands):

	Amount
Transportation	$ 113,790
Total allocated interest expense	**$ 113,790**

d. Bond Anticipation Notes

At June 30, 2014, $28 million in short-term general obligation bond anticipation notes were outstanding at MUSC, a major discretely presented component unit. These notes are due on or before June 30, 2015.

e. Defeased Bonds

During December 2013, the State issued $23.165 million in general obligation refunding bonds with a 2.00% to 5.00% coupon rate over the life of the issue. The net proceeds after payment of $188 thousand in issuance costs were used to refund $25.730 million of the Series 2003B bonds. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations on a straight-line basis over the life of the bonds. The bonds were refunded to reduce total debt service payments by approximately $2.634 million and to obtain an economic gain of approximately $2.418 million.

During May 2014, the State issued $63.41 million in general obligation refunding bonds with a 5.00% coupon rate over the life of the issue. The net proceeds after payment of $326 thousand in issuance costs were used to refund $70.9 million of the Series 2005A bonds. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations on a straight-line basis over the life of the bonds. The bonds were refunded to reduce total debt service payments by approximately $4.352 million and to obtain an economic gain of approximately $4.22 million.

In its fiscal year ended December 31, 2013, the Public Service Authority, a major discretely presented component unit issued $388.73 million in 2013 Tax-Exempt Refunding Series B Bonds, with an aggregate all-in true interest cost of 5.46%. Of the $388.73 million of bonds issued, $361.2 million in bonds with an average interest rate of 5.09% were used to refund $209.426 million of the 2003 Refunding Series A bonds, $7.07 million of the 2004 Series A bonds, $5.0 million of the 2006 Series A bonds, $6.565 million of the 2007 Series A bonds, $82.605 million of the 2008 Taxable Series B bonds, $1.125 million of the 2009 Series B bonds, $30.158 million of the 2011 Taxable Series A (LIBOR Index) bonds, and $2.04 million of the 2012 Series D bonds with an average interest rate of 4.85%. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2043 using the effective-interest method. The bonds were refunded and restructured to increase total debt service payments over the next thirty-one years by approximately $413.2 million and to obtain an economic loss of approximately $11.5 million.

Also in its fiscal year ended December 31, 2013, the Public Service Authority issued $250 million in 2013 Taxable Refunding Series C Bonds, with an aggregate all-in true interest cost of 5.46%. Of the $250 million of bonds issued, $137.8 million in bonds with an average interest rate of 5.78% were used to refund $35.584 million of the 2003 Refunding Series A bonds and $97.695 million of the 2008 Taxable Series B bonds with an average interest rate of 5.09%. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2036 using the effective-interest method. The bonds were refunded and restructured to increase total debt service payments over the next twenty-four years by approximately $155.6 million and to obtain an economic loss of approximately $12.6 million.

Additionally, in its fiscal year ended December 31, 2013, the Public Service Authority issued $450.0 million in 2013 Taxable Refunding Series D (LIBOR Index) Bonds, with an aggregate all-in true interest cost of 5.46%. Of the $450.0 million of bonds issued, $203.7 million in bonds with an average interest rate of 1.09% were used to refund $54.7 million of the 2008 Series B bonds, $138.159 million of the 2011 Series A (LIBOR Index) bonds, and $8.0 million of the 2012 Refunding Series C bonds with an average interest rate of 1.12%. The difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the effective-interest method. The bonds were refunded and restructured to increase total debt service payments over the next three years by approximately $4.8 million and to obtain an economic gain of approximately $6.8 million.

For all defeasances involving advance refundings in the current and prior years, the securities purchased were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the old bonds. Accordingly, the State has not recorded the defeased bonds in the accompanying financial statements. At June 30, 2014, the following outstanding bonds of the primary government were considered defeased (expressed in thousands):

	Governmental Activities
Economic Development bonds	$ 13,790
Infrastructure Bank bonds	486,585
Department of Transportation bonds	416,375
Tobacco Authority bonds	64,890
Totals	**$ 981,640**

In addition, at December 31, 2013, $340.345 million of bonds associated with the Public Service Authority were considered defeased.

f. Arbitrage Rebate Payable

The Internal Revenue Code and arbitrage regulations issued by the Internal Revenue Service require rebate to the federal government of excess investment earnings on bond proceeds if the yield on those earnings exceeds the effective yield on the related tax-exempt bonds issued. At June 30, 2014, reported as other liabilities for governmental activities is an arbitrage rebate liability of $4 thousand associated with the State's General Obligation Debt and a $1.476 million arbitrage rebate liability associated with revenue bonds of the Local Government Infrastructure Fund (a major governmental fund). Additionally, the Housing Authority, a major discretely presented component unit, recognized a $39 thousand arbitrage rebate liability.

g. Conduit Debt

State law authorizes issuance of certain bonds for which the State assumes no responsibility for repayment. These bonds do not appear as liabilities in the accompanying financial statements.

The Educational Facilities Authority, reported in the General Fund, issues bonds to assist nonprofit educational institutions that do not receive State appropriations in the acquisition, construction, and financing of facilities for educational programs. The bonds are payable solely from, and secured by, a lease agreement on the facilities between the Authority and the institution. When the bonds have been fully paid, the Authority conveys the title for the facility to the institution. At June 30, 2014, the outstanding balance of bonds issued was $246.203 million.

The Jobs-Economic Development Authority, a nonmajor discretely presented component unit, issues industrial revenue bonds to develop and benefit business enterprises. The bonds are payable solely by revenues of the business enterprise and generally are secured by an irrevocable letter of credit. At June 30, 2014, the outstanding balance of bonds issued after June 30, 1995, was $3.683 billion. The original amount of bonds issued prior to that date is not available.

The Housing Authority Fund, a major discretely presented component unit, issues certain mortgage loan notes and housing revenue bonds for developers to construct moderate to low income housing projects. The bonds are payable solely from housing rental payments received by the developer and generally are secured by an irrevocable letter of credit or bond insurance. At June 30, 2014, the outstanding balance of bonds issued was $181.545 million.

h. Commercial Paper Notes and Letters of Credit

Note 12 Changes in Liabilities, displays the activity of commercial paper notes and lines of credit during the fiscal year ended June 30, 2014, including beginning and ending balances (if any) as well as all draws and repayments. The Public Service Authority presents its outstanding amounts as commercial paper notes, but all other amounts outstanding on lines of credit at June 30, 2014 are reported as notes payable. Other relevant information regarding these accounts is provided below.

The University Medical Associates of the Medical University of South Carolina (UMA), a discretely presented component unit of MUSC, has a line of credit with a maximum borrowing limit of $10 million, on which UMA could draw for working capital. The loan bears interest at the 30-day LIBOR rate plus 1.15% and is secured by all unrestricted accounts receivable. During fiscal year ended June 30, 2014, there were no advances under this line of credit. The line of credit expired during June 2014 and was renewed with basically the same terms through June 30, 2015.

The Public Service Authority, a discretely presented component unit, has recorded a $372.073 million liability for commercial paper notes at its fiscal year ended December 31, 2013. The paper is issued for valid corporate purposes with terms not to exceed 270 days. The Authority has a $800 million revolving credit agreement to support the issuance of commercial paper. There were no borrowings under the agreement during 2013.

i. Advances from Federal Government

On December 26, 2008, the Unemployment Compensation Fund, a major enterprise fund, began to obtain advances from the Federal government in order to pay unemployment benefits due to the exhaustion of all other funds to pay benefits. These advances were obtained due to the significant increase in unemployment benefits resulting from a significant increase in the unemployment rate in the State and the extension of the period by the Federal government that benefits were paid to claimants. Section 1201 of Title XII of the Social Security Act provides that an advance from the Federal Unemployment Fund to the account of a state's unemployment trust fund is allowed if the governor of a state applies for payment for any 3-month period. Only amounts actually drawn down for benefit payments must be repaid.

At June 30, 2014, the outstanding balance of these advances was $396.501 million. Principal payments began on September 30, 2011, with interest accruing at rates ranging from 2.39% to 2.58% within the fiscal year. Of the balance reported, $270.501 million is considered non-current with $126 million reported as due within one year.

Under Section 1201 of Title XII of the Social Security Act, if a balance of advances to a state is outstanding on January 1, in two consecutive years and not fully repaid prior to November 10 of the second year, employers subject to contributions under such state's unemployment compensation law will be subject to additional Federal unemployment taxes determined by a formula of reductions in credit against the tax. Such credit reduction will apply beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances. The credit reductions, pursuant to Section 3302(c)(2) of FUTA, increase employers' Federal tax liability each year. The amount equal to the reduced credits, excluding penalty and interest, will be applied to reduce the State's balance of advances. For the fiscal year ended June 30, 2014, a total of $85 thousand in FUTA tax adjustments decreased the Fund's balance. Non-recurring revenues appropriated to the Department of Employment Workforce by the General Assembly will be utilized to make principal payments on the federal advances in amounts sufficient to avoid the FUTA credit reductions for state employers for the 2014 tax year.

The comprehensive changes to the Unemployment Insurance (UI) tax structure implemented to assist in putting the Fund back on the path to solvency are structured to raise revenues that more accurately address the demands on the Fund and the

changing economic environment in which the Fund operates. While the Fund remains in Federal loan status, required tax revenues will consist of estimated benefit payouts for the subsequent year, an amount required to repay the principal on all outstanding federal advances over five years, and an additional surcharge designated to pay accrued interest on outstanding advances. As the expected level of state UI benefits continues to decrease, a greater proportion of state UI tax revenues will be available to repay the advanced funds.

Increased tax collections coupled with decreases in the number of individuals eligible for and claiming state UI benefits have enabled the Fund to operate without obtaining additional advances from the federal government since May 2011. Management could continue to borrow from the Federal government, if needed, to fund its deficits for the foreseeable future; however, it is estimated that no additional advances will be required under the new tax structure. The Federal government has not established a maximum amount that the Fund can borrow.

Federal regulations specify that interest on Federal Unemployment Account Advances may not be paid, either directly or indirectly, from the Fund; therefore, no accrued interest is reported in the Unemployment Compensation Benefits Fund. Interest of $10.310 million was paid in September 2014 from the State's Debt Service Fund, with the portion due at June 30, 2014 of $8.186 million reported as accrued interest in the government-wide Statement of Net Position for governmental activities.

NOTE 12: CHANGES IN LIABILITIES

a. Long-Term Liabilities

Changes in major classes of long-term liabilities for the fiscal year ended June 30, 2014, were (expressed in thousands):

	Balances at July 1, 2013 as Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Primary Government:					
Governmental Activities					
Policy claims	$ 806,030	$ 1,930,256	$ (2,022,800)	$ 713,486	$ 516,935
Notes payable	27,126	—	(8,861)	18,265	7,073
General obligation bonds payable	1,317,605	186,810	(281,885)	1,222,530	201,950
Unamortized discounts and premiums	80,758	30,389	(13,145)	98,002	—
Total general obligation bonds payable	1,398,363	217,199	(295,030)	1,320,532	201,950
Infrastructure Bank bonds payable	1,973,615	—	(71,550)	1,902,065	67,125
Unamortized discounts and premiums	121,307	—	(6,854)	114,453	—
Total Infrastructure Bank bonds	2,094,922	—	(78,404)	2,016,518	67,125
Revenue bonds payable	23,910	—	(3,155)	20,755	3,300
Unamortized discounts and premiums	408	—	(91)	317	—
Total revenue bonds payable	24,318	—	(3,246)	21,072	3,300
Limited obligation bonds payable	2,415	—	(1,495)	920	735
Unamortized discounts	(7)	—	6	(1)	(1)
Total limited obligation bonds payable	2,408	—	(1,489)	919	734
Capital leases payable	349	7,466	(1,811)	6,004	1,439
Compensated absences payable	207,972	160,316	(150,746)	217,542	124,366
National Guard Retirement System net pension obligation payable	8,989	4,442	(4,586)	8,845	—
Judgments and contingencies payable	30,170	25,519	(38,679)	17,010	15,174
Arbitrage payable	1,436	308	(264)	1,480	897
Total long-term liabilities	$ 4,602,083	$ 2,345,506	$ (2,605,916)	$ 4,341,673	$ 938,993

The governmental fund that pays an employee's salary is responsible for liquidating the employee's related compensated absence liability. The General Fund is responsible for liquidating the National Guard Retirement System liability. Historically, the State has paid most judgments related to governmental funds from its General Fund unless an identifiable amount was directly attributable to another specific fund.

	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Primary Government:					
Business-type Activities					
Policy claims	$ 90,453	$ 332,177	$ (40,820)	$ 381,810	$ 48,721
Advances from Federal government	531,557	—	(135,056)	396,501	126,000
Revenue bonds payable	6,360	—	(150)	6,210	155
Compensated absences payable	780	574	(585)	769	538
Total long-term liabilities	$ 629,150	$ 332,751	$ (176,611)	$ 785,290	$ 175,414

	Balances at July 1, 2013 as Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Public Service Authority					
Policy claims	$ 1,778	$ 2,940	$ (2,180)	$ 2,538	$ 2,538
Revenue bonds payable	5,556,566	1,873,808	(1,028,082)	6,402,292	133,427
Unamortized discounts and premiums	190,368	(11,742)	(36,068)	142,558	—
Total revenue bonds payable	5,746,934	1,862,066	(1,064,150)	6,544,850	133,427
Capital leases payable	1,227	—	(990)	237	237
Compensated absences payable	8,663	13,052	(2,162)	19,553	19,553
Other long-term obligations	—	44,956	—	44,956	—
Total long-term liabilities	$ 5,758,602	$ 1,923,014	$ (1,069,482)	$ 6,612,134	$ 155,755

	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
State Ports Authority					
Notes payable	$ 10,342	$ 19,700	$ (584)	$ 29,458	$ 1,184
Revenue bonds payable	170,000	—	(4,660)	165,340	4,845
Unamortized discounts and premiums	2,279	—	(128)	2,151	—
Total revenue bonds payable	172,279	—	(4,788)	167,491	4,845
Compensated absences payable	2,715	2,572	(2,339)	2,948	2,948
Total long-term liabilities	$ 185,336	$ 22,272	$ (7,711)	$ 199,897	$ 8,977

	Balances at July 1, 2013 as Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Housing Authority					
Revenue bonds payable	$ 641,475	$ —	$ (112,330)	$ 529,145	$ 12,825
Unamortized discounts and premiums	11,431	—	(1,327)	10,104	—
Total revenue bonds payable	652,906	—	(113,657)	539,249	12,825
Compensated absences payable	774	515	(517)	772	517
Arbitrage payable	38	1	—	39	—
Total long-term liabilities	$ 653,718	$ 516	$ (114,174)	$ 540,060	$ 13,342

	Balances at July 1, 2013 as Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Clemson University					
General obligation bonds payable	$ 88,420	$ 33,030	$ (4,680)	$ 116,770	$ 6,155
Unamortized discounts and premiums	5,421	3,284	(770)	7,935	—
Total general obligation bonds payable	93,841	36,314	(5,450)	124,705	6,155
Revenue bonds payable	56,500	—	(7,235)	49,265	7,525
Unamortized discounts and premiums	1,724	—	(272)	1,452	—
Total revenue bonds	58,224	—	(7,507)	50,717	7,525
Capital leases payable	15,911	—	(948)	14,963	970
Compensated absences payable	24,859	17,635	(16,152)	26,342	17,028
Total long-term liabilities	$ 192,835	$ 53,949	$ (30,057)	$ 216,727	$ 31,678

	Balances at July 1, 2013 as Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
University of South Carolina					
Notes payable	$ 6,360	$ —	$ (561)	$ 5,799	$ 5,799
General obligation bonds payable	109,355	15,190	(8,510)	116,035	9,395
Revenue bonds payable	417,330	—	(9,940)	407,390	10,845
Unamortized discounts and premiums	33,249	1,478	(1,896)	32,831	—
Total revenue bonds	450,579	1,478	(11,836)	440,221	10,845
Capital leases payable	16,788	548	(684)	16,652	776
Compensated absences payable	31,446	20,390	(18,180)	33,656	18,174
Total long-term liabilities	$ 614,528	$ 37,606	$ (39,771)	$ 612,363	$ 44,989

	Balances at July 1, 2013 as Restated	Increases	Decreases	Balances at June 30, 2014	Amounts Due Within One Year
Major Discretely Presented Component Unit:					
Medical University of South Carolina					
Notes payable	$ 57,791	$ —	$ (10,193)	$ 47,598	$ 6,420
General obligation bonds payable	43,505	—	(4,225)	39,280	4,210
Unamortized discounts and premiums	1,571	—	(334)	1,237	—
Total general obligation bonds payable	45,076	—	(4,559)	40,517	4,210
Revenue bonds payable	542,876	47,442	(68,159)	522,159	19,239
Capital leases payable	1,450	29	(549)	930	523
Compensated absences payable	32,419	18,757	(18,933)	32,243	16,424
Total long-term liabilities	$ 679,612	$ 66,228	$ (102,393)	$ 643,447	$ 46,816

b. Short-Term Debt

The Medical University of South Carolina, a major discretely presented component unit, may issue bond anticipation notes (BANS) to provide interim financing for capital projects while in the process of issuing bonds. The Public Service Authority, a major discretely presented component unit, may issue commercial paper as short-term financing for valid corporate purposes as allowed by the Authority's Board of Directors. Short-term debt for the fiscal year ended June 30, 2014 included: BANS for MUSC and commercial paper notes in the Public Service Authority. Short-term debt activity during the fiscal year was as follows (expressed in thousands):

	Balances at July 1, 2013	Increases	Decreases	Balances at June 30, 2014
Major Component Units:				
Medical University of South Carolina				
General obligation bond anticipation notes payable	$ 28,000	$ 28,000	$ (28,000)	$ 28,000
	Balances at January 1, 2013	**Increases**	**Decreases**	**Balances at December 31, 2013**
Public Service Authority				
Commercial paper notes	$ 329,283	$284,897	$(242,107)	$ 372,073

NOTE 13: FUND BALANCES IN GOVERNMENTAL FUNDS

Fund balance classifications in governmental funds represent levels of constraints on the use of the resources received and reported in each fund. At June 30, 2014, the amounts constrained within the unrestricted fund balance in governmental funds (expressed in thousands) were as follows:

	General	Departmental Program Services	Local Government Infrastructure	Department of Transportation Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Non-spendable:						
Interfund receivables	$ 617	$ 760	$ 272,834	$ —	$ 1,423	$ 275,634
Inventories	26,130	4,074	—	2,635	—	32,839
Prepaid items	5,764	1,940	—	3,683	21	11,408
Long-term loans and notes receivable	35,617	532	476,347	2,369	—	514,865
Endowments	—	—	—	—	9,057	9,057
Total Non-spendable	68,128	7,306	749,181	8,687	10,501	843,803
Restricted:						
Primary and Secondary Education	61,893	97,201	—	—	84,502	243,596
Health, Human Services and Environment	49,100	267,828	—	—	54,267	371,195
Transportation	—	—	535,686	10,000	—	545,686
Capital Projects	94,645	132	—	—	31,197	125,974
Debt Service	93,042	—	840,621	—	51,268	984,930
Waste management	—	—	—	—	173,416	173,416
General Government	60,393	352,420	—	—	126,371	539,184
Total Restricted	359,073	717,581	1,376,307	10,000	521,021	2,983,982
Committed:						
General Government	837,464	5,234	—	—	41,187	883,885
Capital reserve fund	—	—	—	—	62,877	62,877
Primary and Secondary Education	82,042	—	—	—	—	82,042
Health, Human Services and Environment	47,739	—	—	—	—	47,739
Transportation	—	—	—	237,390		237,390
Total Committed	967,245	5,234	—	237,390	104,064	1,313,933
Assigned:						
Primary and Secondary Education	21,159	—	—	—	—	21,159
Health, Human Services and Environment	197,329	—	—	—	5,387	202,716
General Government	132,863	—	—	—	—	132,863
Administration of Justice	22,785	—	—	—	—	22,785
Economic Development	57,719	—	—	—	—	57,719
Social Programs	12,775	—	—	—	—	12,775
Total Assigned	444,630	—	—	—	5,387	450,017
Total Unrestricted, unassigned	1,083,959	(484,181)	—	(263,200)	—	336,578
Total Fund Balances	**$ 2,923,035**	**$ 245,940**	**$ 2,125,488**	**$ (7,123)**	**$ 640,973**	**$ 5,928,313**

The following subsections contain further descriptive information regarding the constraints of fund balance.

a. Non-spendable

This portion of fund balance is not available for appropriation because it is either in a form that cannot be spent or is legally or contractually required to be maintained intact (endowments).

b. Restricted

Primary and Secondary Education

The balance represents resources received from external parties or through enabling legislation which creates resources and narrowly defines the use of the resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

This is restricted resources for the continuation and enhancement of programs to improve the health and safety of the citizens and visitors of the State of South Carolina. Programs promote environment, physical, and mental health of the State, its resources, citizens, and travelers.

Transportation

Restricted resources for transportation are imposed by external parties or enabling legislation for use in the maintenance and improvement highway systems and access to commercial markets through rail, air, and transoceanic.

Capital Projects

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the construction or acquisition and installation of a capitalizable asset. The resources will be expended over the life of the construction.

Debt Service

The balance represents resources received from external parties or through enabling legislation which requires the use of the resources for the repayment of outstanding debt, including principal and interest.

Waste Management

The balance represents resources received from external parties which requires the use of the resources for governmental actions involving uncontrolled hazardous waste sites.

General Government

General Government includes resources restricted to individual programs undertaken by the agencies to provide services and resources to the constituents of the State of South Carolina and visitors to it.

c. Committed

General Government

This represents the portion of the fund balance, which is constrained through enabling legislation for programs within the established missions of the agencies in its directives for service to the citizens of the State of South Carolina.

Capital Reserve Fund

The South Carolina Constitution requires that two percent of the General Fund revenue of the latest completed fiscal year be used to fund this reserve for future appropriations for capital acquisitions, retirement of capital improvement bonds, or other nonrecurring purposes. This reserve is reduced to cover year-end operating deficits prior to withdrawal of funds from the General Reserve Fund.

Primary and Secondary Education

This portion of fund balance has been committed through various sections of the State's Code of Law which stipulate the utilization of resources for the continuation and improvement of educational programs in the State. The programs include formative education, higher education, and skills training for job creation.

Health, Human Services and Environment

This represents the portion of the fund balance, which has been committed through various sections of the State's Code of Law, for purposes of promoting and safeguarding the health of the citizens and visitors of the State. The programs include enforcement of regulations, access to services, and education in the risks faced by the citizens of the State.

Transportation

This represents the portion of the fund balance, which is constrained through enabling legislation for use in the maintenance and improvement highway systems and access to commercial markets through rail, air, and transoceanic.

d. Assigned

Primary and Secondary Education

Amounts reported in this category arise from programmatic requirements for use in educational purposes. The assignment may be by contract with other state agencies or through budgetary action of the legislation in the form of a proviso.

Health, Human Services and Environment

The fund balance reported in this category arises primarily from contracts between state agencies for services provided in connection with public health and the safety of the citizens and visitors to the State.

General Government

The fund balance reported in this category is created through budgetary proviso actions and agency contractual obligations between parties within the reporting entity relating to a variety of other services provided to the citizens of the State and its visitors.

Administration of Justice

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to the courts to ensure the safety of its citizens and visitors.

Economic Development

The fund balance reported in this category arises primarily from budgetary proviso actions which provide a certain level of funding to assist in bringing businesses to South Carolina or expanding current businesses within South Carolina as it relates to infrastructure.

Social Programs

Amounts reported in this category primarily arise through contractual agreements between state agencies that cooperate in the provision of social programs to the citizens of the State.

e. Unrestricted, unassigned

Included in the unrestricted, unassigned fund balance classification is the General Reserve Fund (the Reserve). The South Carolina Constitution requires that the State maintain this reserve to prevent deficits in the Budgetary General Fund. The Reserve is fully funded for the June 30, 2014 fiscal year if it equals 4.5 percent of the Budgetary General Fund's revenue (budgetary basis) of the previous fiscal year (increasing to 5 percent in 2015).

If the State withdraws funds from the Reserve to cover a year-end deficit, it must replace the funds within five years. The Constitution requires that at least one percent of the Budgetary General Fund revenue (budgetary basis) of the latest completed fiscal year, if so much is necessary, be restored each year following the deficit until full funding is achieved.

At June 30, 2014, the Reserve was $292.889 million, which exceeds the required fully funded amount of $263.601 million.

NOTE 14: FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

The following table reconciles the beginning fund equity as previously reported to the beginning fund equity as restated (dollars in thousands):

	7/1/2013 Fund Equity as Previously Reported	Implementation of GASB 65	Fund Reclass-ifications	Other Adjustments	7/1/2013 Fund Equity as Restated
Primary Government					
Governmental Funds:					
General Fund	$ 2,844,037	$ —	$ 4,055	$ (306,407)	$ 2,541,685
Departmental Program Services	232,270	—	—	—	232,270
Local Government Infrastructure	2,032,826	—	—	4,513	2,037,339
Department of Transportation Special Revenue	(97,316)	—	—	—	(97,316)
Other Nonmajor Governmental Funds	665,136	—	—	(63,902)	601,234
Total Governmental Funds	5,676,953	—	4,055	(365,796)	5,315,212
Internal Service Funds	493,505	—	(4,055)	5,144	494,594
Government-Wide Adjustments:					
Capital assets	14,842,948	—	—	—	14,842,948
Deferred bond issuance costs	12,862	(12,862)	—	—	—
Unavailable deferred revenue	293,432	—	—	—	293,432
Long-term liabilities	(3,840,798)	—	—	—	(3,840,798)
Total Government-Wide Adjustments	11,308,444	(12,862)	—	—	11,295,582
Total Governmental Activities	17,478,902	(12,862)	—	(360,652)	17,105,388
Business-Type Activities - Enterprise Funds:					
Unemployment Compensation Fund	(182,600)	—	—	—	(182,600)
Second Injury Fund	(132)	—	—	(253,153)	(253,285)
Other nonmajor enterprise funds	(59,123)	—	—	(2,177)	(61,300)
Total Business-type activities - Enterprise Funds	(241,855)	—	—	(255,330)	(497,185)
Fiduciary Funds:					
Pension and Other Post-Employment Trust	27,203,154	—	—	402,057	27,605,211
Investment Trust Local Government Investment Pool	3,750,456	—	—	—	3,750,456
Private-Purpose Trust	1,778,299	—	—	—	1,778,299
Total Fiduciary Funds	32,731,909	—	—	402,057	33,133,966
Total Primary Government	$ 49,968,956	$ (12,862)	$ —	$ (213,925)	$ 49,742,169
Component Units					
Public Service Authority	$ 1,974,583	$ —	$ —	$ —	$ 1,974,583
MUSC	1,488,647	(7,499)	—	—	1,481,148
USC	1,601,505	—	—	(33,734)	1,567,771
Clemson	1,543,899	(813)	—	—	1,543,086
State Ports Authority	891,544	—	—	681	892,225
Housing Authority	364,267	(6,633)	—	—	357,634
Nonmajor component units	2,284,274	(3,376)	—	9,908	2,290,806
Total Component Units	$ 10,148,719	$ (18,321)	$ —	$ (23,145)	$ 10,107,253

During fiscal year 2014, the following errors resulting in a restatement of beginning fund balance were discovered: (1) for the reporting of accounts receivable for several program areas, accounts receivable was overstated by $11.857 million in the General Fund, (2) for the reporting of cash in the Department of Revenue within the General Fund, cash was overstated by $295.511 million, (3) in prior years the Second Injury Fund recognized claims liabilities only to the extent that the fund's assets were available to pay its claims, causing a $253.153 million understatement of its liabilities, (4) an error was discovered in the reporting of the nonmajor enterprise for accounts receivable ($1.505 million), interest income ($426 thousand) and cash ($1.098 million) causing fund balance to be overstated by $2.177 million, (5) Fiduciary funds restated

balance by $400.440 million as a result of a retroactive change in accounting principle, prior period amounts have been restated to report a liability only for benefits immediately due and payable but not yet distributed at June 30 and $1.617 million for an error discovered in recording market to market accrued interest and interest income (6) an error was discovered in the recording of securities lending assets and liabilities for General Fund in the amount of $961 thousand, $4.513 million for Local Infrastructure, $5.144 million for Internal Service funds, and $681 thousand for Ports Authority, these amounts result in an overall net increase to equity and (7) an error was discovered in the reporting of capital projects funds that related to component units in the amount of $63.902 million.

Changes to the reporting entity in fiscal year 2014 caused a restatement of net position for discretely presented component units. The South Carolina Research Foundation and the School of Medicine Education Trust, both discretely presented component units of the University of South Carolina (USC), were removed from the State's reporting entity, resulting in a decrease in beginning net position for USC as reported in the State's CAFR of $33.734 million. For two higher education institutions reported as nonmajor discretely presented component units, Francis Marion University, and Piedmont Technical College, material foundations presented as discretly presented component units of those entities were brought into the State's reporting entity.

NOTE 15: INTERFUND BALANCES AND TRANSFERS

The following tables summarize interfund balances at June 30, 2014 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Departmental Program Services	$ 118,563	$ 26,437
Department of Transportation Special Revenue	363	48,778
Local Government Infrastructure	20	1,145
Nonmajor governmental funds	64	—
Internal service	727	3,097
Unemployment Compensation	3,459	—
Nonmajor Enterprise Funds	96	—
	123,292	79,457
Departmental Program Services		
General Fund	26,437	118,563
Department of Transportation Special Revenue Fund	—	932
Internal service	—	291
	26,437	119,786
Department of Transportation Special Revenue Fund		
General Fund	48,778	363
Departmental Program Services	932	—
Local Government Infrastructure	—	534
Fiduciary	—	12,588
	49,710	13,485
Local Government Infrastructure		
General Fund	1,145	20
Department of Transportation Special Revenue Fund	534	—
	1,679	20
Nonmajor Governmental Funds		
General Fund	—	64
Unemployment Compensation	295	—
	295	64
Internal Service		
General Fund	3,097	727
Departmental Program Services	291	—
Fiduciary	287	—
	3,675	727
Unemployment Compensation		
General Fund	—	3,459
Nonmajor governmental funds	—	295
	—	3,754
Nonmajor Enterprise Funds		
General Fund	—	96
Fiduciary		
Department of Transportation Special Revenue	12,588	—
Internal service	—	287
Fiduciary	55,533	55,533
	68,121	55,820
Totals	**$ 273,209**	**$ 273,209**

Amounts due from/to funds resulting from interfund goods and services provided or reimbursable expenditures/expenses incurred on or before June 30 for which payment was received/made after June 30 are summarized (expressed in thousands):

Funds	Interfund Receivables	Interfund Payables	Receivables Long-term Portion
General			
Departmental Program Services	$ 475	$ 760	—
Nonmajor governmental funds	—	1,082	—
Internal service	142	—	142
	617	1,842	142
Departmental Program Services			
General	760	475	—
Local Government Infrastructure			
Department of Transportation Special Revenue	272,834	—	250,114
Department of Transportation Special Revenue Fund			
Local Government Infrastructure	—	272,834	—
Nonmajor Governmental Funds			
General	1,082	—	18
Internal service	341	8,435	—
	1,423	8,435	18
Nonmajor Enterprise Funds			
Internal service	—	2,153	—
Internal Service			
General	—	142	—
Nonmajor governmental funds	8,435	341	6,470
Nonmajor enterprise funds	2,153	—	2,153
Internal service	4,700	4,700	—
	15,288	5,183	8,623
Totals	**$ 290,922**	**$ 290,922**	**$ 258,897**

The preceding interfund receivables and payables generally include loans for building improvements, economic development initiatives, and initial funding for new programs. Also included are the following:

- $272.834 million owed by the Department of Transportation Special Revenue Fund, a major governmental fund, to the Local Government Infrastructure Fund, a major governmental fund. The Department of Transportation has entered into various agreements to provide assistance for highway and transportation facilities projects being constructed by the Local Government Infrastructure Fund.
- $8.435 million owed by the nonmajor governmental funds to the internal service funds. The nonmajor governmental funds borrowed the money to purchase and renovate new headquarters facilities for the State Department of Public Safety.

The following table summarizes interfund transfers during the fiscal year ended June 30, 2014 (expressed in thousands):

Funds	Transfers In	Transfers Out
General Fund		
Departmental Program Services	$ 152,394	$ 272,863
Local Government Infrastructure	10,113	13,767
Department of Transportation	—	102,456
Nonmajor governmental funds	168,389	74,839
Unemployment Compensation Benefits	200	—
Nonmajor enterprise funds	1,362	327
Internal service	254	3,140
	332,712	467,392
Departmental Program Services		
General	272,863	152,394
Nonmajor governmental funds	2,559	—
Nonmajor enterprise funds	—	40
Internal service	1,600	—
	277,022	152,434
Local Government Infrastructure		
General	13,767	10,113
Department of Transportation		
General	102,456	—
Nonmajor Governmental Funds		
General	74,839	168,389
Departmental Program Services	—	2,559
Internal Service	7,336	—
Nonmajor enterprise funds	—	49,095
	82,175	220,043
Unemployment Compensation Benefits		
General	—	200
Nonmajor Enterprise Funds		
General	327	1,362
Department Program Services	40	—
Nonmajor governmental funds	49,095	—
	49,462	1,362
Internal Service		
General	3,140	254
Nonmajor governmental funds	—	7,336
Department Program Services	—	1,600
Internal Service	218	218
	3,358	9,408
Totals	**$ 860,952**	**$ 860,952**

The State routinely uses transfers to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move State grant monies from grantor funds to grantee funds, and (3) transfer bond proceeds from the original fund to other funds authorized to receive portions of the proceeds.

NOTE 16: JOINT VENTURE AND JOINT OPERATION

a. Joint Venture

The Public Service Authority (Authority) is a member of The Energy Authority (TEA). TEA markets wholesale power and coordinates the operation of the generation assets of its members to maximize the efficient use of electrical energy resources, reduce operating costs and increase operating revenues of the members. It is expected to accomplish the foregoing without impacting the safety and reliability of the electric system of each member. TEA does not engage in the construction or ownership of generation or transmission assets. In addition, it assists members with fuel hedging activities and acts as an agent in the execution of forward transactions. The Authority accounts for its investment in TEA under the equity method of accounting.

All of TEA's revenues and costs are allocated to the members. The Authority's exposure relating to TEA is limited to the Authority's capital investment, any accounts receivable and trade guarantees provided by the Authority. These guarantees are within the scope of FASB ASC 952. Upon the Authority making any payments under its electric guarantee, it has certain contribution rights with the other members in order that payments made under the TEA member guarantees would be equalized ratably, based upon each member's equity ownership interest. After such contributions have been affected, the Authority would only have recourse against TEA to recover amounts paid under the guarantee. The term of this guarantee is generally indefinite, but the Authority has the ability to terminate its guarantee obligations by providing advance notice to the beneficiaries thereof. Such termination of its guarantee obligations only applies to TEA transactions not yet entered into at the time the termination takes effect. The Authority's support of TEA's trading activities is limited based on the formula derived from the forward value of TEA's trading positions at a point in time. The formula was approved by the Authority's Board. At December 31, 2013, the trade guarantees are an amount not to exceed approximately $72.9 million.

Interested parties may obtain a copy of TEA's financial statements by writing to:

The Energy Authority
301 West Bay Street, Suite 2600
Jacksonville, Florida 32202
www.teainc.org

b. Joint Operation

The Authority and South Carolina Electric and Gas (SCE&G) are parties to a joint ownership agreement providing that the Authority and SCE&G shall own Unit 1 at the V.C. Summer Nuclear Station with undivided interests of 33.33% and 66.67%, respectively. SCE&G is solely responsible for the design, construction, budgeting, management, operation, maintenance and decommissioning of Unit 1 and the Authority is obligated to pay its ownership share of all costs relating thereto. The Authority receives 33.33% of the net electricity generated. In 2004, the NRC granted a twenty-year extension to the operating license for Unit 1, extending it to August 6, 2042. Nuclear fuel costs are being amortized based on energy expended using the unit-of-production method. Costs include a component for estimated disposal expense of spent nuclear fuel. This amortization is included in fuel expense and recovered through the Authority's rates.

The Nuclear Regulatory Commission (NRC) requires a licensee of a nuclear reactor to provide minimum financial assurance of its ability to decommission its nuclear facilities. In compliance with the applicable NRC regulations, the Authority established an external trust fund and began making deposits into this fund in September 1990. In addition to providing for the minimum requirements imposed by the NRC, the Authority makes deposits into an internal fund in the amount necessary to fund the difference between a site-specific decommissioning study completed in 2012 and the NRC's imposed minimum requirement. Based on these estimates, the Authority's one-third share of the estimated decommissioning costs of Unit 1 equals approximately $315.1 million in 2012 dollars. As deposits are made, the Authority debits FERC account 532 - Maintenance of Nuclear Plant, an amount equal to the deposits made to the internal and external trust funds. These costs are recovered through the Authority's rates.

The Authority and SCE&G are constructing and and plan to operate two additional nuclear generating units (Summer Units 2 and 3) at the V.C. Summer Nuclear Station. On May 22, 2008, the Authority's Board authorized the Authority to execute a Limited Agency Agreement appointing SCE&G to act as the Authority's agent in connection with the performance of an Engineering, Procurement and Construction (EPC) Agreement. On May 23, 2008, SCE&G, acting for itself and as agent for the Authority, entered into an EPC Agreement with Westinghouse and Stone & Webster, Inc., (a subsidiary of Chicago Bridge & Iron Company), for the engineering, procurement and construction of two 1,100 MW nuclear generating units.

On October 20, 2011, the Authority and SCE&G entered into a Design and Construction Agreement. Among other things, the Design and Construction Agreement allows either or both parties to withdraw from the project under certain circumstances. Also on October 20, 2011, the Authority and SCE&G entered into an Operating and Decommissioning Agreement with respect to the two units. Both the Design and Construction Agreement and the Operating and

Decommissioning Agreement define the conditions under which the Authority or SCE&G may convey an undivided ownership interest in the new units to a third party. Together the Design and Construction Agreement and the Operating and Decommissioning Agreement provide for a 45% ownership interest by the Authority in each of the two new units and replace the Amended and Restated Bridge Agreement which had governed the relationship between the Authority and SCE&G.

The Authority received the COLs on March 30, 2012 and anticipates that V.C. Summer Units 2 and 3 will go into service in 2018 and 2019, respectively. On April 5, 2012, the Authority's Board authorized the Authority to expend up to $4.9 billion to fund the Authority's share of the EPC Agreement and associated Owner's Costs to complete the project.

As part of its capital improvement program, the Authority has evaluated its level of participation in the new units. Due to developments since initiation of the project, the Authority is taking actions necessary to reduce its 45% ownership interest. In 2011, the Authority began deferring a portion of interest expense representing the amount related to the assumed ownership reduction. In 2013, the Authority continued deferring and began capitalizing portions of related interest expense based on revised ownership assumptions.

NOTE 17: RELATED PARTY TRANSACTIONS

These financial statements exclude certain related foundations and other organizations, including those discussed below. (See also Note 1a, Scope of Reporting Entity.)

During the fiscal year ended June 30, 2014, the Educational Television Endowment of South Carolina, Inc., disbursed $5.506 million on behalf of the Departmental Program Services Fund, a major governmental fund, for programs, development, advertising, and other costs and had accounts payable to the Departmental Program Services Fund of $184 thousand at June 30, 2014.

During the fiscal year ended June 30, 2014, the State Museum Foundation reimbursed $3.882 million to the State Museum for reimbursement for the *Windows to New Worlds* project. The contribution from the Foundation and expenditures of the Museum are reported in the Capital Projects Fund, a nonmajor governmental fund.

The Education Assistance Authority Fund, a discretely presented component unit, has designated the South Carolina Student Loan Corporation (SLC) as the entity to administer the enterprise fund's student loan program. During the fiscal year ended June 30, 2014, the enterprise fund entered into various transactions with SLC. Approximate amounts within the enterprise fund that represent these transactions include: accounts receivable from SLC $125.287 million; program revenue from SLC $4.849 million; reimbursements to SLC for administrative costs $618 thousand; and payable to SLC $14.050 million.

NOTE 18: MAJOR DISCRETELY PRESENTED COMPONENT UNITS

a. Significant Transactions of Major Component Units with the Primary Government

Clemson University provided computer services and information systems development to other State agencies for a fee. These fees totaled $9.926 million and $18.519 million for the fiscal year ended June 30, 2014.

The Public Service Authority makes payments to the General Fund in lieu of taxes each year based on requirements under bond indentures. These payments totaled $20.4 million during the Authority's fiscal year ended December 31, 2013.

During the fiscal year ended June 30, 2002, the State Ports Authority resolved to contribute a total of $45.0 million over twenty-six years to the Local Government Infrastructure Fund, a major governmental fund, for the Cooper River Bridge project in Charleston. The Authority made a payment of $1.0 million during the fiscal year ended June 30, 2014.

b. Concentrations of Customer Credit Risk

The Public Service Authority and State Ports Authority have chosen to present their statements in accordance with applicable pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989. Accordingly, these component units present disclosures regarding concentrations of customer credit risk.

Public Service Authority

Concentrations of credit risk with respect to the Public Service Authority's receivables are limited due to its large number of customers and their dispersion across different industries. The Authority maintains an allowance for uncollectible accounts based on the expected collectability of all accounts receivable. The Authority had one customer that accounted for more than ten percent of the Authority's sales for its fiscal year ended December 31, 2013, as follows (expressed in thousands):

Customer	Revenue	Revenue
Central Electric Power Cooperative, Inc	$ 1,038,000	58%

No other customer accounted for more than 10% of the Authority's sales.

State Ports Authority

During the fiscal year ended June 30, 2014, of the State Ports Authority's total revenues, three customers accounted for approximately 17%, 12%, and 9% each. The Authority performs ongoing credit evaluations of its customers and generally operates under international laws, which may provide for a maritime lien on vessels in the event of default on credit terms. The Authority maintains reserves for potential credit losses.

c. Intra-Entity Balances

The following tables summarize intra-entity balances between the primary government and its discretely presented component units at June 30, 2014 (expressed in thousands):

Funds	Due From	Due To
General Fund		
Ports Authority	$ —	$ 193,201
Housing Authority	—	1,762
Clemson	—	9,437
MUSC	—	3,006
USC	286	3,308
Nonmajor discretely presented component units	7,323	4,914
	7,609	215,628
Departmental Program Services		
Clemson	—	354
MUSC	1,093	33,044
USC	—	1,270
Nonmajor discretely presented component units	—	106
	1,093	34,774
Nonmajor Governmental Funds		
Nonmajor discretely presented component units	47,114	4,071
	47,114	4,071
Internal Service		
USC	3,789	—
Nonmajor discretely presented component units	1,239	—
	5,028	—
Governmental activities total	**60,844**	**254,473**
Ports Authority		
General Fund	193,201	—
Housing Authority		
General Fund	1,762	—
Clemson University		
General Fund	9,437	—
Departmental Program Services	354	—
	9,791	—
MUSC		
General Fund	3,006	—
Departmental Program Services	33,044	1,093
	36,050	1,093
USC		
General Fund	3,308	286
Departmental Program Services	1,270	—
Internal service	—	3,789
	4,578	4,075
Nonmajor Discretely Presented Component Units		
General Fund	4,914	7,323
Departmental Program Services	106	—
Nonmajor governmental funds	4,071	47,114
Internal service	—	1,239
	9,091	55,676
Discretely presented component units total	**254,473**	**60,844**
Totals	**$ 315,317**	**$ 315,317**

NOTE 19: CONTINGENCIES AND COMMITMENTS

a. Litigation

Primary Government

Among the unresolved legal actions in which the State was involved at June 30, 2014, are two cases that challenge the legality of certain taxes **(Roper Medical v DOR and Duke Energy v DOR)**. In the event of unfavorable outcomes for these cases, the State estimates the potential loss of $284.9 million. Although State losses in these cases could reduce future revenues, the preceding estimates do not include any impact on future revenues or future accruals of interest on disputed refunds.

The South Carolina Retirement Systems (the Systems) is involved in a putative class action lawsuit involving legislation (Act No. 153, 2005 S.C. Acts and Joint Resolutions) requiring that employees who return to work after retirement (including employees participating in the Teacher and Employee Retention Incentive [TERI] Program) resume making contributions into the retirement system. The action was filed in federal court in August 2010 alleging the provisions of Act 153 are unconstitutional and illegal. The plaintiffs all retired after Act 153 was enacted and thus were on notice that they would pay retirement contributions if they chose to return to work. As of June 30, 2012, the Systems had collected approximately $121.000 million in the form of retirement contributions from members who are retired and returned to work on or after July 1, 2005. The Systems and the State filed a motion to dismiss this matter on a number of grounds. By Order and Decision dated September 27, 2012, the federal district court granted the Systems' motion and dismissed the Plaintiff's suit. Plaintiffs filed a motion to reconsider that decision. The District Court denied the Plaintiff's motion, and the Plaintiffs have appealed to the Fourth Circuit Court of Appeals. On December 5, 2014, the Fourth Circuit ruled in favor of the system and as of the date of issuance no appeal has been filed with the U.S. Supreme court.

The South Carolina Retirement System is a defendant in a retirement case to ensure that SCRS does not suffer any monetary loss as a result of the service purchase. This case is **Anderson County v Joey Preston and the SCRS** and the defendant is a retired member of SCRS who was employed by Anderson County. Plaintiff seeks to rescind a severance agreement entered into between Plaintiff and Preston. Plaintiff agreed to pay, and did pay, approximately $355,000 to the System to purchase retirement service credit on behalf of Preston. By an order date May 3, 2013, the Circuit Court ruled against the Plaintiff Anderson County on all claims, including claims for the return of monies paid to the South Carolina Retirement System. Plaintiff has appealed to the South Carolina Court of Appeals, and this matter is currently pending before the Court, briefs have been filed and oral agruments are expected to begin around March 2015.

The State is involved in a number of cases in which the amounts of potential losses, if any, are not presently determinable. These cases include one contending that the funding of public education in South Carolina is inequitable and inadequate **(Abbeville County School District vs State of South Carolina).** The State moved to dismiss the case, and the Circuit Court granted that motion. The plaintiffs appealed, and the State Supreme Court affirmed part of the Circuit Court's order, but remanded the case to the Circuit Court for further proceedings as to the issue of alleged inadequate educational opportunity. The Court denied the plaintiffs' request to add a damage claim. The Court issued an order during December 2005 in which the Court found in favor of the State on most issues, but ruled that the State is failing to fund early childhood intervention programs adequately. Motions to alter or amend the Circuit Judge's Order were filed in July 2007, but the Court denied the motions. The plaintiffs, the House and the Senate, appealed to the Supreme Court and the case was argued in June 2008. On November 12, 2014, the Supreme Court issued an opinion in favor of the Plaintiffs. The Court directed the Plaintiffs and the Defendants "to reappear before this Court within a reasonable time from the issuance of this opinion, and present a plan to address the constitutional violation … with special emphasis on the statutory and administrative pieces necessary to aid the myriad troubles facing these districts at both the state and local levels." The court has set the deadline for any petitions for rehearing in this case for December 30, 2014. In a second case, **Kiawah Development Partners II vs SCDHEC-OCRM and State** alleges an unconstitutional taking/inverse condemnation of developer's Kiawah property on a spit of land above mean high-water. The plaintiff claims that the taking is due to the Office of Ocean and Coastal Resource Management's alleged delay and denial of most of its request for a permit to build a revetment in the related State critical area to protect Kiawah's spit from further erosion. The plaintiff seeks not less than $100 million in damages. The parties agreed to a stay of this suit while the ALC determines Kiawah's appeal of the permitting decision. The ALS ruled in favor of Kiawah and OCRM has appealed. The Supreme Court issued an opinion but withdrew it while it considers a petition for rehearing. On December 10, 2014, the Court reversed the ALC decision. The possible outcome of the takings proceeding in light of the Supreme Court's decision is still being assessed. Therefore, no determination has yet been made as to a risk of loss. Lastly, the plaintiffs in **T.R., P.R., and K.W., etc. v. Department of Corrections & Ozmint** contend that a lack of funding has resulted in the unconstitutional treatment of prison inmates with mental illnesses. The Judge recently issued an order granting judgment in favor of the Plaintiffs. The lawsuit did not seek specific monetary damages, but the Order references certain remedies that the Court is requiring the defendants to undertake i.e. developing an adequate system for providing inmates with serious mental illnesses services including additional and better-trained staff. The defendants plan to appeal.

The State is involved in other legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes cases involving claims asserted against the State arising from alleged torts, breach of contract, and possible violations of State laws. In the event of unfavorable outcomes in all of these matters, the State's estimated liability would be approximately $47.235 million. While the State is uncertain as to the ultimate outcome of any of the individual lawsuits, it believes its positions are meritorious and it is vigorously defending its position in each case.

Generally, liabilities recorded by the State's Insurance Reserve Fund (see Note 9a), an internal service fund, are sufficient to cover claims arising from alleged torts, up to the liability limits established by the South Carolina Tort Claims Act. Currently, except as described above, no tort claims are pending that are expected to result in any significant liability in excess of the provision for policy claims recorded by the Insurance Reserve Fund.

Major Discretely Presented Component Unit—Public Service Authority and Ports Authority

The Public Service Authority, a major discretely presented component unit and electric utility company, is a party to or has an indirect interest in several lawsuits in which the amounts of potential losses, if any, are not presently determinable. The following paragraph discusses the most significant of these cases.

Landowners located along the Santee River contend that the Authority is liable for damage to their real estate because of flooding that has occurred since the U. S. Army Corps of Engineers completed its Cooper River Rediversion Project in 1985. A 1997 trial returned a jury verdict against the Authority on certain causes of action. The Authority has entered into a settlement agreement with the plaintiffs. Pursuant to this agreement, the Authority has made payments of all claims amounting to $221.6 million. In addition the Authority has paid the court ordered attorney fees and costs of $10.4 million. The contract between the Corps and the Authority requires that the Corps indemnify the Authority for certain claims arising out of the construction and operation of the project. The Authority has entered a claim seeking indemnification from the Corps. On February 14, 2013 the Armed Services Board of Contract Appeals (ASBCA) ruled that the Authority was entitled to $234.9 million for costs incurred as a result of this litigation. Additionally, the ASBCA ruled that the Authority is entitled to interest on the costs pursuant to the Contract Disputes Act, calculated from August 20, 2001 until paid. The Corps has appealed this decision to the United States Court of Appeals for the Federal Circuit. The Authority expects that the Court of Appeals will render a decision on the appeal in 2014. On May 28, 2014. The U.S. Department of Justice, acting on behalf of the Corp of Engineers, entered into a legal settlement with the Authority. Pursuant to the Settlement Agreement, the Corp of Engineers is required to pay the Authority $257,113,405 plus interest in that amount running from May 1, 2014. On August 1, 2014, the Authority received payment in the amount of $258,463,250.66, which fully resolved the claim.

Several environmental advocacy groups filed suit against the Authority in the Court of Common Pleas in Horry County seeking injunctive relief with regard to closure of ash ponds at the Grainger Generating Station. The suit does not seek damages but alleges that an unlawful discharge of arsenic and other contaminants has occurred and requests that the court order the removal and offsite storage of all ash contained in the ponds. The Authority has filed an Answer to the suit and is defending against the allegations. The Authority intends to properly close the ash ponds in accordance with regulatory requirements.

In May 2013, Horry Cooperative, a member of Central, sued the Authority seeking indemnification for claims in a class action lawsuit brought against Horry Cooperative by certain of its customers. The customers allege mold damage to their homes was caused by vapor barriers installed in accordance with the Authority's energy efficiency recommendations. Horry Cooperative's complaint alleges the Authority knew the vapor barrier could cause moisture problems but failed to disclose the information to Horry Cooperative and failed to advise Horry Cooperative that the vapor barrier should be a recommendation rather than a requirement. The Authority does not yet know the number of customers or the amount of claims involved. The Authority intends to vigorously defend the lawsuit but cannot predict the outcome.

The Ports Authority has intervened in a lawsuit brought against a passenger cruise line by an environmental group. On January 22, 2014, the South Carolina Supreme Court dismissed remaining claims, thus ending the case in favor of the Ports Authority. In January 2013, the Ports Authority intervened in a federal case brought by preservation and environmental groups against the U.S. Army Corps of Engineers, to challenge issuance of authority for the Ports Authority to drive pilings under a building on Union Pier Terminal in renovating the building to accommodate passenger vessels. On September 19, 2013, the federal district court remanded the permit to the Corps for further review and action. The Ports Authority appealed the ruling, but when the Corps of Engineers withdrew its appeal the Ports Authority did not oppose. Thus, the permit application is under review by the Corps of Engineers on remand. The Ports Authority intends to continue pursuing the federal permit and to continue any legal actions necessary to perfect the final permit. In February 2013, the same cruise terminal opponents and others filed an administrative action challenging the State permit issued for the piling work at Union Pier. The South Carolina Administrative Law Court granted summary judgment in favor of the Ports Authority, and dismissed the challenge on April 21, 2014. The case is now on appeal under the briefing schedule, with a decision likely within the fiscal year 2015. The decision may be further appealed to the State Supreme Court. The Ports Authority intends to defend issuance of the permit. The effect of these administrative permit cases on the financial position of the Ports

Authority cannot be determined at this time. In 2013, suit by lessee of property in Port Royal resulted in a verdict against the Ports Authority in the amount of $1.1 million, alleging that a parking lot parcel was within the lease, but was not owned by the Ports Authority. The Ports Authority denied that the parcel was within the lease. The Ports Authority filed a notice of appeal, after which the case was settled, and is now ended. In the process, the Authority's Port Royal property was cleared of the encumbering lease and the Ports Authority took ownership of the restaurant and rights to future revenues.

b. Federal Grants

The State receives significant federal grant and entitlement revenues. Compliance audits of federal programs may identify disallowed expenditures. Disallowances by federal program officials as a result of these audits may become liabilities of the State. The State records a liability for pending disallowances if settlement is probable and the settlement amount is reasonably estimable. Otherwise, the liability is recorded only when the State and the federal government agree on reimbursement terms. Based on an analysis of historical data, the State believes that any disallowances without an established agreement of reimbursement terms relating to the fiscal year ended June 30, 2014, or earlier years will not have a material impact on the State's financial statements.

c. Other Loan Guarantees

The South Carolina Education Assistance Authority, a non-major component unit, guarantees student loans. At June 30, 2014, these loans totaled $2.192 billion. The United States Department of Education reinsures 100.0% of losses under these guarantees for loans made prior to October 1, 1993; 98.0% of losses for loans made between October 1, 1993 and October 1, 1998; and 95.0% for loans made on or after October 1, 1998. If the loan default rate exceeds 5.0% of the loans in repayment status, the United States Department of Education decreases the reinsurance rate. The State's default rate during the fiscal year ended June 30, 2014, was 2.4%.

d. Purchase Commitments

A breach of taxpayer information was identified in fiscal year 2013. Approximately 3.5 million taxpayers, including individuals, dependents, and businesses, have been affected by the breach. The Department of Revenue initially arranged for CSID to provide free protective monitoring for all potential taxpayers affected who sign up for their service from October 2013 to October 2014. Since that time, this contract has since been extended until October 2015. The fee to the State is $6.00 per enrollment, however the fee decreases each month based upon the proration of the period remaining on the contract. The contract is capped at $8.5 million.

Major Discretely Presented Component Unit—Public Service Authority

At December 31, 2013, the Public Service Authority, a major discretely presented component unit and electric utility company, had outstanding minimum obligations under existing purchase contracts totaling $945.888 million for coal. In addition, minimum obligations under two purchased power contracts as of December 31, 2013, were approximately $54.6 million with a remaining term of twenty-one years, $9.9 million with a term of one year, and $46.4 million with a term of two years. Also at December 31, 2013, the Authority had commitments for nuclear fuel and nuclear fuel conversion contracts of $490.4 million over the next twenty-one years.

The Authority amended a service agreement to an approximate amount of $97.2 million. The agreement provides a contract performance manager, initial spare parts, parts and services for specified planned maintenance outages, remote monitoring and diagnostics of the turbine generators, and combustion tuning for the gas turbines. The contract term extends through 2024, but can be terminated at the end of 2015.

Major Discretely Presented Component Unit—Ports Authority

At June 30, 2014, the Ports Authority had construction commitments of $37.914 million. The Ports Authority has $4.3 million remaining as its legal obligation to pay for the completion of the Harbor Deepening project.

e. Commitments to Provide Grants and Other Financial Assistance

As of June 30, 2014, the following agencies had outstanding commitments for the identified programs:

- The South Carolina Transportation Infrastructure Bank, reported within the Local Government Infrastructure Fund (a major governmental fund), has $1.571 billion remaining on agreements with various counties to provide financial assistance for highway and transportation facilities projects.
- The Department of Commerce has $137.892 million to provide funds to local governmental entities including grants for water and wastewater infrastructure projects, airport construction projects, and rural infrastructure projects. Of

the outstanding commitment, $38.016 million will be funded by federal grants and $99.876 million will be funded with private aid.

- The Budget and Control Board has $128.124 million to provide loans and grants for water and wastewater projects and energy efficiency improvement projects. Federal grants will fund $25.285 million of this commitment.
- The Division of Aeronautics has $3.471 million for grants made to municipal and county airports for capital improvements. Federal grants will fund $1.792 million of this commitment.
- The State Board for Technical and Comprehensive Education has $19.870 million to provide training for new and expanding business and industry in the State.
- The Department of Public Safety has $35.516 million for pass-through grants to various State agencies, local governments, and not-for-profit entities, of which $35.288 million will be funded by federal grants.
- The South Carolina Law Enforcement Division has $16.169 million for grant program activities and pass-through grants to subrecipients, all of which will be funded by federal grants.
- The South Carolina Judicial Department has $2.130 million outstanding commitments related to vendor service contracts.
- The Rural Infrastructure Authority has $23.319 million for loans to municipalities, counties, special purpose and public service districts and public works commissions for constructing and improving rural infrastructure facilities.
- The State Housing Finance and Development Authority has $250 thousand for special initiatives under the Program Fund and $6.935 million from the Housing Trust Fund for affordable housing projects and developments.

f. Unemployment Compensation Benefits Fund—Liquidity

In recent years, the Unemployment Compensation Fund, a major enterprise fund, has generated substantial operating losses and has been required to use all of its cash resources to fund its operations. Due to the high unemployment rate and the resulting increased amount of unemployment benefits paid, and the increased length of time over which benefits are paid, the Fund has been required to obtain advances from the Federal Unemployment Compensation Fund resulting in a balance owed of $396.501 million as of June 30, 2014.

Increased tax collections, coupled with decreases in the number of individuals eligible for and claiming State unemployment insurance benefits and changes in the relevant state laws have enabled the Fund to operate without obtaining additional advances from the Federal government since May of 2011.

g. DHEC Remedial Activities

DHEC has four sites where remediation activity is currently occurring. These sites are: The Palmetto Wood National Priority List Site, The Frank Elmore national Priority List Site, The Brewer Gold Mine Site and The Pinewood Site. The estimated future loss expected in fiscal year 2015 in maintaining these sites is $7.730 million. The Pinewood Site is $6.296 million of this total. The estimated loss is based upon the audit of the Pinewood trust and an analysis of the cash flows which shows that the trust will not have enough funds to cover the average remediation expenses that have historically occurred. Therefore, placing the cost burden on the State of South Carolina to cover these costs annually starting in fiscal year 2015.

NOTE 20: SUBSEQUENT EVENTS

a. Debt Issuances

On July 1, 2014, the Housing Authority called all outstanding Series 2004A Bonds. The call was funded by Series 2004A funds, other available funds from the Mortgage Revenue Bond Indenture and funds transferred from the Housing Authority's Revenue Reserve Fund.

On September 17, 2014, the Housing Authority received preliminary approval to issue up to $70 million in Mortgage Revenue Bonds and $30 million in Refunding Bonds to refund Series 2005A. The Housing Authority anticipates completing this transaction around December 16, 2014.

During August 2014, the Ports Authority entered into an agreement with a bank for a line of credit in the amount of $200 million. The line of credit will be used to meet short term funding needs for capital projects. During August 2014, the Ports Authority made its first draw on the line of credit in the amount of approximately $80.430 million. The interest rate adjusts monthly and is tied to 67% of the sum of the 30 day LIBOR rate plus a negotiated fixed spread. The agreement requires monthly interest only payments until it expires in August 2016 when the entire outstanding principal amount is due.

Subsequent to the fiscal year end, the State of South Carolina issued the following debt:

- Florence-Darlington Technical College, a nonmajor discretely presented component unit, issued refunding bonds, Series 2014, in the amount of $16.240 million on August 28, 2014.
- The State issued athletic facilities refunding revenue bonds, Series 2014, in the amount of $1.05 million on behalf of The Citadel, reported as a nonmajor discretely presented component unit, on November 5, 2014.

- The State issued General Obligation state institution bond anticipation notes, Series 2014, in the amount of $13 million on behalf of the University of South Carolina, reported as a major discretely presented component unit, on November 20, 2014.
- The State issued academic and administrative facilities revenue bonds, Series 2014, in the amount of $54.255 million on behalf of the College of Charleston, reported as a nonmajor discretely presented component unit, on December 4, 2014.
- The State issued General Obligation state institution bond anticipation notes, Series 2013A, in the amount of $26.5 million on behalf of Medical University of South Carolina, reported as a major discretely presented component unit, on December 5, 2014.
- The State issued athletic facilities revenue bond anticipation notes, Series 2014, in the amount of $30 million on behalf of the University of South Carolina, reported as a major discretely presented component unit, on December 15, 2014.
- The State issued athletic facilities revenue bonds in the amount of $30.845 million, Series 2014A, taxable athletic facilities revenue bonds in the amount of $9.455 million, Series 2014B, and athletic facilities refunding revenue bonds in the amount of $10.545 million on behalf of Clemson University, reported as a major major discretely presented component unit, on December 18, 2014.

The Public Service Authority issued the following revenue bonds after December 31, 2013:

- May 22, 2014 for $32.393 million for capital program and $7.192 million in capital appreciation bonds for capital program.
- July 9, 2014 for $600.000 million for capital program and $42.275 million for refunding a portion of the 2004 Series A bonds.
- October 28, 2014 for $704.525 million and $31.795 million to refund a portion of bonds from 2003 -2013 reducing true interest costs to 3.78 percent and 3.38 percent respectively.

b. Sale of Portion of V. C. Summer Nuclear Station Units 2 and 3 to South Carolina Electric & Gas (SCE&G)

On January 27, 2014, the Public Service Authority's Board of Directors, a component unit, approved the sale of five percent of its ownership in V.C. Summer Units 2 and 3 to South Carolina Electric & Gas (SCE&G). Under the terms of the new agreement, SCE&G will own 60 percent of the new nuclear units and the Authority, 40 percent. Under the existing ownership agreement, SCE&G owns 55 percent and the Authority owns 45 percent. The five percent ownership interest would be acquired in three stages:

(1) one percent at the commercial operation date of the first new nuclear unit, anticipated to be in late 2017 or the first quarter of 2018;
(2) two percent no later than the first anniversary of such commercial operation date; and
(3) two percent no later than the second anniversary date of such commercial operation date.

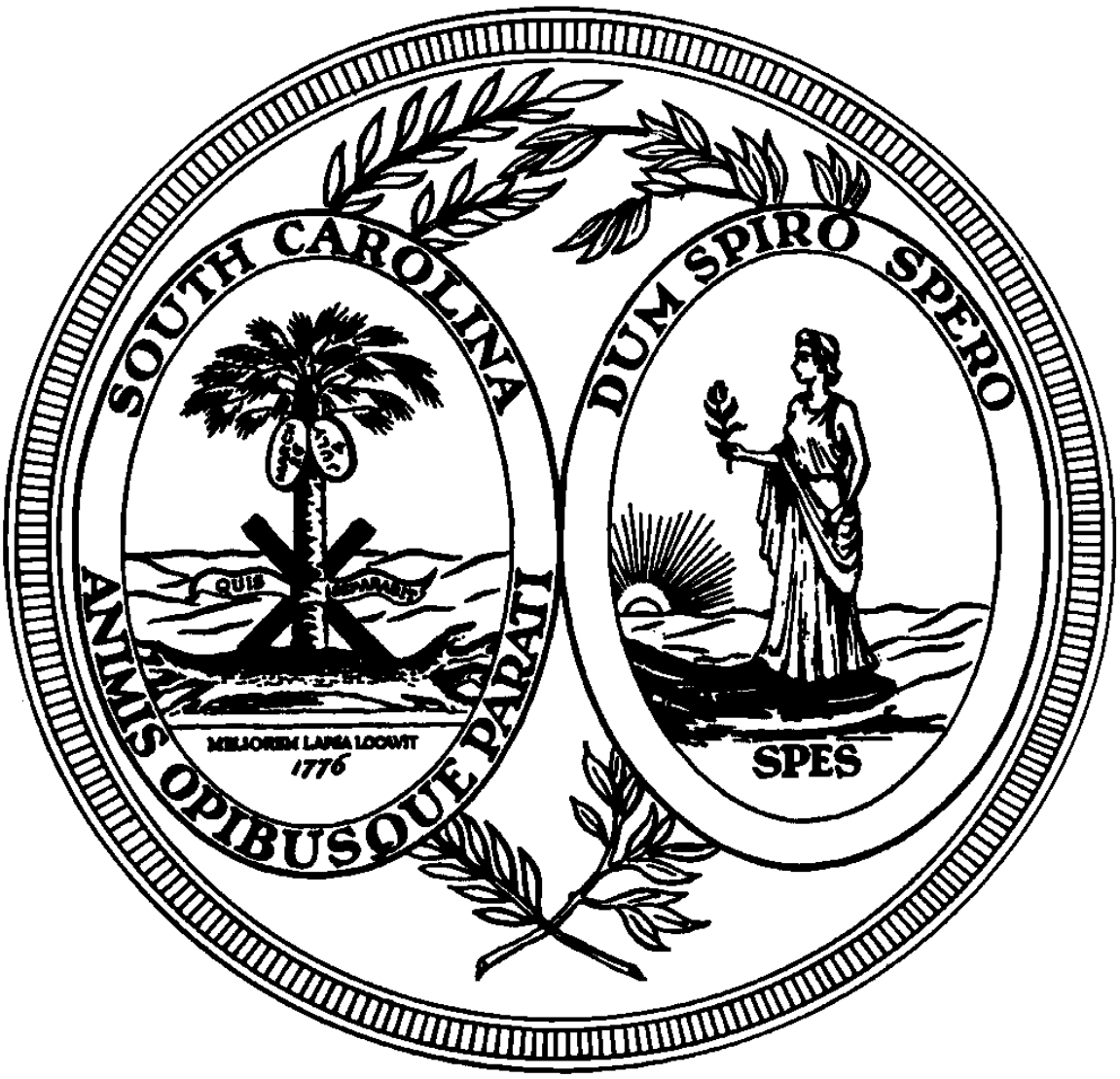
The Agreement also provides that the Authority will not transfer any of its remaining ownership interest in the two new units until after the commercial operating date for both units.

c. MUSC- Hospital Authority

After June 30, 2014, the MUSC- Hospital Authority recorded the impact of filed Medicare cost report due 11/30/14 for FYE 6/30/14which resulted in a $5.6 million increase to the change in net position shown in audited financial statements. Also, the major supplier of pharmaceuticals changed the billing methodology in May, 2014. After issuance of audited statements, it was discovered and verified that we were under-billed by $3.7 million resulting in a decrease in change in net position. The net impact to our change in net position is $1.9 million.

d. South Carolina State University

On January 31, 2014, South Carolina State University, a non-major discretely presented component unit, notified the State that revenue collections have not met revenue estimates because student enrollment has lagged behind university projections. As a result, the University requested $13 million to pay current bills and the State's Budget and Control Board approved an emergency $6 million loan to the University on April 30, 2014. The $6 million loan also has a stipulation that up to $500 thousand of the $6 million must be used to hire consultants to assess the University's financial needs and operations. The loan was due in full on June 30, 2015, although the University received a four-year extension on December, 3, 2014, as well as received an additional $12 million to be added to the emergency loan. The $12 million will be loaned to the University in three increments: $6 million in fiscal year 2015, $4 million in fiscal year 2016, and $2 million in fiscal year 2017. Additionally, the $12 million loan stipulates that the University may not run a deficit (excluding overdue bills) in fiscal year 2015. The interest rates and other related loan stipulations are currently under negotiation between the State and the University.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REQUIRED SUPPLEMENTARY INFORMATION—
Other than Management's Discussion and Analysis
(Unaudited)

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
BUDGETARY GENERAL FUND

For the Fiscal Year Ended June 30, 2014

(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Regular sources				
Retail sales tax	$ 2,472,635	$ 2,472,635	$ 2,517,078	$ 44,443
Income tax, individual	2,845,960	2,845,961	2,921,429	75,468
Income tax, corporation	248,234	248,234	288,109	39,875
Total income and sales tax	5,566,829	5,566,830	5,726,616	159,786
Admissions tax	30,250	30,250	27,855	(2,395)
Aircraft tax	4,284	4,284	4,234	(50)
Alcoholic liquor tax	64,272	64,272	66,695	2,423
Bank tax	29,448	29,448	33,107	3,659
Beer and wine tax	104,716	104,716	102,548	(2,168)
Tobacco tax	25,725	25,725	25,632	(93)
Coin-operated device tax	1,478	1,478	1,125	(353)
Corporation license tax	112,978	112,978	95,139	(17,839)
Departmental revenue (primarily fees for services)	53,193	56,889	82,014	25,125
Documentary tax	27,778	27,778	35,384	7,606
Earned on investments	22,000	22,000	19,538	(2,462)
Insurance tax	188,367	188,367	185,647	(2,720)
Motor vehicle licenses	10,202	10,202	11,233	1,031
Private car lines tax	3,960	3,960	3,592	(368)
Public Service Authority	21,000	21,000	20,952	(48)
Retailers' license tax	909	909	740	(169)
Savings and loan association tax	1,384	1,384	2,009	625
Workers' compensation insurance tax	10,652	10,652	8,219	(2,433)
Total regular sources	6,279,425	6,283,122	6,452,279	169,157
Miscellaneous sources				
Circuit and family court fines	9,528	9,528	8,606	(922)
Debt service reimbursement	90	90	524	434
Indirect cost recoveries	11,061	11,061	12,894	1,833
Parole and probation supervision fees	3,393	3,393	3,393	—
Unclaimed property fund transfer	15,000	15,000	15,000	—
Nonrecurring revenue	71,510	37,373	59,694	22,321
Total miscellaneous sources	110,582	76,445	100,111	23,666
Total revenues	**6,390,007**	**6,359,567**	**6,552,390**	**192,823**

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
BUDGETARY GENERAL FUND (Continued)

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Expenditures:				
Legislative	$ 44,835	$ 69,159	$ 40,687	$ 28,472
Judicial	45,111	46,184	46,184	—
Executive and administrative	218,427	198,694	173,068	25,626
Educational	2,944,615	3,079,830	3,044,822	35,008
Health	1,563,080	1,798,501	1,506,184	292,317
Social rehabilitation services	131,212	138,102	133,017	5,085
Correctional and public safety	566,587	597,320	584,936	12,384
Conservation, natural resources, and development	133,638	178,413	149,280	29,133
Regulatory	52,174	58,063	54,733	3,330
Transportation	51,285	104,433	61,504	42,929
Debt service	190,230	200,092	184,144	15,948
Aid to subdivisions	320,354	350,612	350,589	23
Total expenditures	**6,261,548**	**6,819,403**	**6,329,148**	**490,255**
Excess of revenues over (under) expenditures—budgetary basis	**128,459**	**(459,836)**	**223,242**	**683,078**
Fund balance, beginning — budgetary basis	**1,046,090**	**1,046,090**	**1,046,090**	**—**
Fund balance, ending — budgetary basis	**$ 1,174,549**	**$ 586,254**	**$ 1,269,332**	**$ 683,078**
Less:				
Capital Reserve appropriation			**(106,057)**	
Fund balance, ending — budgetary basis, after reservation			**$ 1,163,275**	

REQUIRED SUPPLEMENTARY INFORMATION
Budgetary Comparison Schedule (Non-GAAP Budgetary Basis)
OTHER BUDGETED FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance from Final Budget—Positive (Negative)
	Original	Final		
Revenues:				
Federal	$ 7,611,517	$ 7,676,943	$ 7,019,463	$ (657,480)
Earmarked	5,055,884	5,330,947	5,084,322	(246,625)
Restricted	3,415,804	3,453,777	4,027,304	573,527
Total revenues	**16,083,205**	**16,461,667**	**16,131,089**	**(330,578)**
Expenditures:				
Legislative	2,095	7,573	6,656	917
Judicial	24,443	25,531	18,606	6,925
Executive and administrative	447,436	502,888	522,602	(19,714)
Educational	5,895,173	6,101,639	5,614,281	487,358
Health	6,606,096	6,612,552	5,929,665	682,887
Social rehabilitation services	2,396,105	2,392,300	2,040,109	352,191
Correctional and public safety	216,405	220,139	167,015	53,124
Conservation, natural resources, and development	240,918	321,987	277,012	44,975
Regulatory	372,626	460,680	377,178	83,502
Transportation	1,680,941	1,716,637	1,369,554	347,083
Total expenditures	**17,882,238**	**18,361,926**	**16,322,678**	**2,039,248**
Net decrease in fund balance—budgetary basis	**(1,799,033)**	**(1,900,259)**	**(191,589)**	**1,708,670**
Fund balance at beginning of year—budgetary basis	**2,678,141**	**2,678,141**	**2,678,141**	**—**
Fund balance at end of year—budgetary basis	**$ 879,108**	**$ 777,882**	**$ 2,486,552**	**$ 1,708,670**

Notes to the Required Supplementary Information--Budgetary

NOTE 1: BUDGETARY FUNDS AND PERSPECTIVE DIFFERENCES

a. Budgetary Funds

South Carolina's Annual Appropriations Act, the State's legally adopted budget, does not present budgets by GAAP fund. Instead, it presents program-level budgets for the following two funds:

General Funds. These funds are general operating funds. The resources in these funds are primarily taxes. The State expends General Funds to provide traditional State government services. The General Funds column in the Appropriations Act differs somewhat from the GAAP General Fund and is referred to within these notes and in the accompanying schedule as the *Budgetary General Fund*.

Total Funds. The Total Funds column in the Appropriations Act includes all budgeted resources. Amounts in this column include General Funds as well as most, but not all, federal and department-generated resources. Total funds include portions of certain proprietary and capital project fund activities as well as most special revenue activities but, exclude the pension trust funds and some other fiduciary fund activities.

Amounts obtained by subtracting the General Funds column in the Appropriations Act from the Total Funds column in the Appropriation Act are referred to within these notes and in the accompanying schedules as *Other Budgeted Funds*.

b. Perspective Differences

Perspective differences exist when the structure of financial information for budgetary purposes differs from the fund structure that is defined by GAAP. Although there are some perspective differences between the Budgetary General Fund and the GAAP General Fund, those differences are *not* significant enough to prevent the State from preparing a budgetary comparison schedule for the Budgetary General Fund.

In contrast, however, there are *significant* perspective differences between the Other Budgeted Funds and the State's GAAP funds, including its major special revenue funds. These perspective differences are so significant that the State is unable to present separate budgetary comparison schedules for its major special revenue funds. Accordingly, the State instead has presented a budgetary comparison schedule for its Other Budgeted Funds in accordance with GASB Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences*.

NOTE 2: ORIGINAL AND FINAL BUDGETED AMOUNTS; BASIS OF PRESENTATION

a. Budgetary General Fund

Each year, the General Assembly enacts an Appropriations Act that includes initial estimated revenue and appropriation figures for the Budgetary General Fund. The *original appropriations* presented in the accompanying schedule for the Budgetary General Fund include the amounts displayed in the Appropriations Act as well as any appropriations authorized to carry forward from the preceding fiscal year. *Original estimated revenues* in the accompanying schedule for the Budgetary General Fund include amounts displayed in Section 88 (*Revenue*) of the Appropriations Act and nonrecurring transfers from other funds that were legislatively required by various provisos within the Appropriations Act.

The accompanying schedule for the Budgetary General Fund presents a fund balance section whereas the budget document does not present fund balances; in other respects, however, the format of the accompanying schedule is substantively the same as for the legally enacted budget.

After the beginning of the fiscal year, departments and agencies may request transfers of appropriations among programs. No such transfer request may exceed 20.0% of the program budget. In addition, the Budget and Control Board, composed of five key executive and legislative officials, has the authority to approve transfers of appropriations between personal service and other operating accounts.

The authority to reduce enacted appropriations is provided to the Budget and Control Board if it is deemed necessary to prevent a deficit. Likewise, the State Board of Economic Advisors may approve revisions of estimated revenues for the Budgetary General Fund during the year.

b. Other Budgeted Funds

The *original appropriations* presented in the accompanying schedule for Other Budgeted Funds include the amounts displayed in the Appropriations Act as well as any appropriation reductions specifically authorized by law to prevent duplicate appropriations. The terminology, classifications, and format of the appropriations section of the accompanying schedule for Other Budgeted Funds is substantively the same as for the legally enacted budget.

The State's General Assembly does not approve estimated revenue or fund balance amounts for Other Budgeted Funds (or for Total Funds). However, Section 87 (*Recapitulation*) of the Appropriations Act includes net *source of funds* amounts (i.e., estimated cash brought forward from the previous fiscal year plus estimated revenue for the current fiscal year minus estimated cash to be carried forward to the following fiscal year) for three categories of Other Budgeted Funds: Federal, Earmarked, and Restricted. The *original estimated revenue* amounts in the accompanying schedule for Other Budgeted Funds were obtained from the State Budget Office's breakdown of the source of funds amounts.

As operating conditions change, departments and agencies may request revisions of budgeted amounts in Other Budgeted Funds. Such changes require the Budget and Control Board's approval. Departments and agencies also may request revisions of estimated revenues and appropriations for permanent improvement projects. The Budget and Control Board and the Joint Bond Review Committee must approve and review those changes.

NOTE 3: LEGAL LEVEL OF BUDGETARY CONTROL

The State maintains budgetary control at the level of summary object category of expenditure within each program of each department or agency. The State's Appropriation Acts for the 2013-14 fiscal year has approximately 2,500 appropriated line items. These line items constitute the level of legal control over expenditures. The level of legal control for all agencies is reported in a publication of the State Comptroller General's Office titled "A Detailed Report of Appropriations and Expenditures," not included herein.

NOTE 4: BASIS OF BUDGETING

Current legislation states that the General Assembly intends to appropriate all monies to operate State government for the current fiscal year. Unexpended appropriations lapse on July 31 unless the department or agency is given specific authorization to carry them forward to the next fiscal year. Cash-basis accounting for payroll expenditures is required.

State law does not precisely define the State's basis of budgeting. In practice, however, it is the cash basis with the following exceptions:

(i) Departments and agencies charge certain vendor and interfund payments against the preceding fiscal year's appropriations through July 13.

(ii) Certain revenues collected in advance are recorded as liabilities (unearned revenues) rather than as revenues.

(iii) The following taxes are recorded on the modified accrual basis in accordance with State law: admissions tax, alcoholic liquors tax, beer and wine tax, business license tax, documentary tax, electric power tax, gasoline and motor fuel taxes, and sales, use, and casual excise taxes.

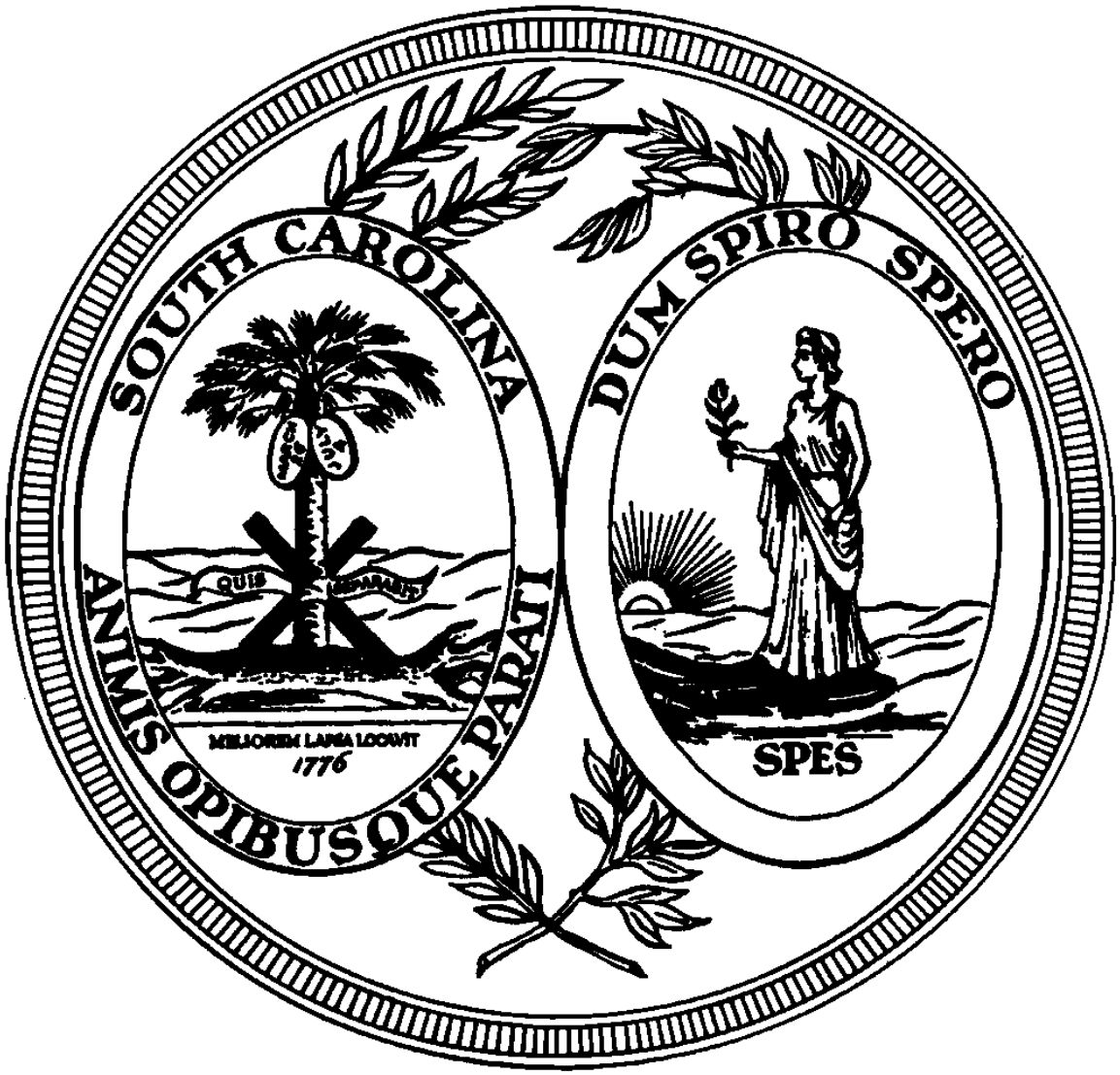
(iv) Certain non-cash activity, such as food stamp benefits, is recorded as revenue and expenditure in the fiscal year in which the resources are distributed to the beneficiaries.

(v) All other revenues are recorded only when the State receives the related cash.

NOTE 5: RECONCILIATION OF BUDGET TO GAAP REPORTING DIFFERENCES

The accompanying budgetary comparison schedules compare the State's legally adopted budget with actual data in accordance with the State's basis of budgeting. Budgetary accounting principles differ significantly from GAAP accounting principles. These different accounting principles result in basis, perspective, and entity differences in the net increase in fund balance—budgetary basis. *Basis differences* arise because the basis of budgeting differs from the GAAP basis used to prepare the statement of revenues, expenditures, and changes in fund balances—governmental funds. *Perspective differences* result because the Appropriations Act's program-oriented structure differs from the fund structure required for GAAP. *Entity differences* arise because certain activity reported within the State's financial reporting entity for GAAP purposes is excluded from the Appropriations Act. These differences for the fiscal year ended June 30, 2014, were as follows (expressed in thousands):

Budgetary funds	***Budgetary General Fund***	***Other Budgeted Funds***	**Major Special Revenue Funds**		
GAAP funds	**General Fund**	**Not Applicable**	**Departmental Program Services**	**Local Government Infrastructure**	**Department of Transportation Special Revenue**
Net increase (decrease) in fund balance—budgetary basis	$ 223,242	$ (191,589)	$ —	$ —	$ —
Perspective differences:					
Other Budgeted Funds attributable to nonmajor governmental and other GAAP funds	—	(166,117)	—	—	—
Other Budgeted Funds net increase (decrease) allocated among the State's major governmental GAAP funds	1,336,855	357,706	(475,977)	12,797	(1,231,382)
Basis of accounting differences	(1,170,555)	—	496,206	75,352	1,321,575
Entity differences	(8,192)	—	(6,559)	—	—
Net increase in fund balance—GAAP basis	**$ 381,350**	**$ —**	**$ 13,670**	**$ 88,149**	**$ 90,193**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SUPPLEMENTARY INFORMATION

Governmental Funds

Governmental funds include the General Fund, several special revenue funds, a Capital Projects Fund, a Debt Service Fund, and three permanent funds.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's governmental funds:

- Combining Balance Sheet—Nonmajor Governmental Funds
- Combining Statement of Revenues, Expenditures, and Changes in Fund Balances—Nonmajor Governmental Funds
- General Reserve Fund Activity—Budgetary General Fund

Generally accepted accounting principles (GAAP) for governments require that a Comprehensive Annual Financial Report (CAFR) include budgetary comparison schedules for "individual nonmajor special revenue funds and other governmental funds of the primary government (including its blended component units)." Such schedules would be included as supplementary information in this subsection of the CAFR if they were applicable. The State of South Carolina, however, does not prepare separate budgets for its individual special revenue funds or for its other governmental funds. Accordingly, this subsection includes no budgetary comparison schedules. (Also see the budgetary comparison schedules within the Required Supplementary Information section of this report.)

Note 1b in the notes to the financial statements describes the State's major governmental funds. The paragraphs below describe all other individual governmental funds that the State uses.

a. Nonmajor Special Revenue Funds

Special revenue funds account for specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditure for specified purposes. The State uses the nonmajor special revenue funds described below:

Waste Management Fund. This fund accounts for fees collected from consumers, generators of solid and hazardous wastes, and owners and operators of solid waste and hazardous waste storage facilities. These fees must be used for the purposes set forth in the State's Solid Waste Policy and Management Act of 1991 and to cover the State's costs in governmental actions involving uncontrolled hazardous waste sites.

Accommodations and Local Option Sales Tax Fund. This fund accounts for: (1) a special additional 2% sales tax on the gross proceeds on the rental of transient accommodations and (2) a special 1% sales tax applicable in some localities within the State. The State allocates these revenues to counties and municipalities in accordance with State law.

Education Lottery Fund. State law requires the Lottery Commission, a nonmajor discretely presented component unit, to transfer all proceeds from lottery ticket sales and other revenues net of expenses to the Education Lottery Fund. The Fund distributes these monies for education purposes and programs as stipulated in State law. These programs include tuition assistance, needs-based grants, scholarships for the State's universities and technical colleges and acquisition or improvement of physical resources for education.

Tobacco Settlement Revenue Management Authority Fund. The Tobacco Settlement Revenue Management Authority was created to issue bonds that securitized future payments received under the multi-state legal settlement with the tobacco industry. The State transferred to the Authority, from its General Fund, all of its rights to the future tobacco settlement revenues.

The *State Tobacco Settlement Fund* accounts for revenues received from the General Fund and from the Tobacco Settlement Revenue Management Authority. Various healthcare and local government programs use these funds and the related interest.

Public Telecommunications Fund. The Public Telecommunications Fund of the State's Office of Regulatory Staff accounts for revenues collected from telephone companies within the State and redistributed to certain telephone companies in an effort to align prices and cost recovery with costs. This program also is intended to ensure basic telephone service at affordable rates is available to all citizens. Other revenues of the Fund include telephone customer surcharges for the 911 emergency system mandated by the FCC. These monies are collected from the telephone companies and distributed to local governments for their 911 emergency telephone systems.

Other Special Revenue Funds. These funds, aggregated for reporting purposes, account for various other revenues that must be used for specific purposes. These funds include operations of various employment services, water recreation, agricultural boards, forest renewal programs, medical and dental scholarships, energy-related programs, and certain programs administered by the Department of Probation, Parole, and Pardon Services.

b. Capital Projects Fund

The Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments). Capital outlays financed from general obligation bond proceeds are accounted for through the Capital Projects Fund.

c. Debt Service Fund

The Debt Service Fund accounts for financial resources to be used for the repayment of debt service where the document executed to acquire the debt requires that the funds be segregated from the uses of the proceeds and other operational activities.

d. Permanent Funds

Permanent funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the State's programs—that is, for the benefit of the State or its citizenry.

Bequests Fund. Sometimes private citizens make bequests of specific assets within their wills to the State. Typically, these gifts provide that the State may expend the earnings, but not the principal, to support certain State agencies or certain programs within a specific State agency. The Bequests Fund accounts for these funds.

*Children's Education Endowment Fund***.** This fund accounts for low-level radioactive waste fees collected from the Barnwell waste facility that are not required to be deposited to the General Fund or remitted to Barnwell County. These funds are to be used for public school facilities assistance and higher education scholarship grants.

Wildlife Endowment Fund. The Wildlife Endowment Fund accounts for funds received from private citizens as gifts and contributions, as well as fees for certain lifetime hunting and fishing licenses. The State may expend the earnings, but not the principal, in furthering the conservation of wildlife resources and the efficient operation of the State's Department of Natural Resources.

Combining Balance Sheet

NONMAJOR GOVERNMENTAL FUNDS

June 30, 2014
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Telecommunications
ASSETS						
Cash and cash equivalents	$ 173,750	$ 183,576	$ 50,723	$ 5,387	$ 23,625	$ 4,778
Investments	—	—	—	—	—	—
Invested securities lending collateral	96	27	41	—	13	1
Receivables, net:						
Accounts	—	—	—	—	—	387
Accrued interest	294	57	157	—	66	1
Sales and other taxes	42	80,525	—	—	—	—
Loans and notes	—	—	—	—	—	—
Due from other funds	—	—	—	—	—	—
Due from component units	—	—	38,092	—	—	—
Interfund receivables	—	—	—	—	—	—
Restricted assets:						
Other	—	—	—	34,000	—	—
Prepaid items	—	—	21	—	—	—
Total assets	**$ 174,182**	**$ 264,185**	**$ 89,034**	**$ 39,387**	**$ 23,704**	**$ 5,167**
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	462	—	257	—	—	—
Accrued salaries and related expenditures	14	—	26	—	—	—
Retainages payable	—	—	—	—	—	32
Tax refunds payable	—	262	—	—	—	—
Intergovernmental payables	—	189,645	27	—	—	—
Due to other funds	5	—	8	—	—	—
Due to component units	—	—	4,071	—	—	—
Interfund payables	—	—	—	—	—	—
Securities lending collateral	285	80	122	—	39	2
Total liabilities	**766**	**189,987**	**4,511**	**—**	**39**	**34**
Fund balances:						
Nonspendable	—	—	21	—	—	—
Restricted	173,416	68,201	84,502	34,000	20,267	5,133
Committed	—	5,997	—	—	3,398	—
Assigned	—	—	—	5,387	—	—
Total fund balances	**173,416**	**74,198**	**84,523**	**39,387**	**23,665**	**5,133**
Total liabilities and fund balances	**$ 174,182**	**$ 264,185**	**$ 89,034**	**$ 39,387**	**$ 23,704**	**$ 5,167**

Exhibit D-1

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ 86,448	$ 528,287	$ 101,006	$ 42,932	$ 1,426	$ 7,259	$ 4,391	$ 13,076	$ 685,301
392	392	—	—	—	—	—	—	392
50	228	42	—	6	5	27	38	308
11	398	434	—	—	—	—	—	832
114	689	175	—	9	4	33	46	910
10	80,577	—	8,041	—	—	—	—	88,618
293	293	—	—	—	—	—	—	293
—	—	—	295	—	—	—	—	295
133	38,225	8,889	—	—	—	—	—	47,114
1,423	1,423	—	—	—	—	—	—	1,423
—	34,000	—	—	—	—	—	—	34,000
—	21	—	—	—	—	—	—	21
$ 88,874	**$ 684,533**	**$ 110,546**	**$ 51,268**	**$ 1,441**	**$ 7,268**	**$ 4,451**	**$ 13,160**	**$ 859,507**
1,724	$ 2,443	7,953	—	—	—	—	$ —	$ 10,396
156	196	—	—	—	—	25	25	221
—	32	—	—	—	—	—	—	32
—	262	—	—	—	—	—	—	262
4,468	194,140	—	—	—	—	—	—	194,140
41	54	—	—	—	—	10	10	64
—	4,071	—	—	—	—	—	—	4,071
—	—	8,435	—	—	—	—	—	8,435
147	675	123	—	19	15	81	115	913
6,536	**201,873**	**16,511**	**—**	**19**	**15**	**116**	**150**	**218,534**
1,423	1,444	—	—	689	5,189	3,179	9,057	10,501
49,123	434,642	31,158	51,268	733	2,064	1,156	3,953	521,021
31,792	41,187	62,877	—	—	—	—	—	104,064
—	5,387	—	—	—	—	—	—	5,387
82,338	**482,660**	**94,035**	**51,268**	**1,422**	**7,253**	**4,335**	**13,010**	**640,973**
$ 88,874	**$ 684,533**	**$ 110,546**	**$ 51,268**	**$ 1,441**	**$ 7,268**	**$ 4,451**	**$ 13,160**	**$ 859,507**

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

NONMAJOR GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	SPECIAL REVENUE					
	Waste Management	Accommodations and Local Option Sales Tax	Education Lottery	Tobacco Settlement Revenue Management Authority	State Tobacco Settlement	Public Telecommunications
Revenues:						
Taxes:						
Retail sales and use	$ 1,772	$ 710,068	$ —	$ —	$ —	$ —
Other	3	—	—	—	—	—
Licenses, fees, and permits	1,093	—	—	—	—	49,050
Interest and other investment income	2,053	590	1,484	—	490	20
Federal	—	—	—	—	—	—
Departmental services	62	—	—	—	—	—
Contributions	—	—	329,179	—	—	—
Fines and penalties	—	—	—	—	—	—
Tobacco legal settlement	—	—	—	109,113	—	—
Other	780	1	1	—	—	5
Total revenues	**5,763**	**710,659**	**330,664**	**109,113**	**490**	**49,075**
Expenditures:						
Current:						
General government	—	—	—	1,975	—	47,730
Education	—	—	256,019	—	—	—
Health and environment	1,607	—	34	—	—	—
Administration of justice	—	—	8	—	—	—
Resources and economic development	—	—	—	—	—	—
Capital outlay	4	—	629	—	—	—
Debt service:						
Principal retirement	—	—	2	—	—	—
Interest and fiscal charges	—	—	—	—	—	—
Intergovernmental	1,774	710,502	37,507	—	—	—
Total expenditures	**3,385**	**710,502**	**294,199**	**1,975**	**—**	**47,730**
Excess of revenues over (under) expenditures	**2,378**	**157**	**36,465**	**107,138**	**490**	**1,345**
Other financing sources (uses):						
Bonds issued	—	—	—	—	—	—
Premiums on bonds issued	—	—	—	—	—	—
Transfers in	—	—	—	—	20,000	—
Transfers out	(9)	(5,134)	(31,408)	(110,149)	—	(2)
Total other financing sources (uses)	**(9)**	**(5,134)**	**(31,408)**	**(110,149)**	**20,000**	**(2)**
Net change in fund balances	**2,369**	**(4,977)**	**5,057**	**(3,011)**	**20,490**	**1,343**
Fund balances at beginning of year, as restated	**171,047**	**79,175**	**79,466**	**42,398**	**3,175**	**3,790**
Fund balances at end of year	**$ 173,416**	**$ 74,198**	**$ 84,523**	**$ 39,387**	**$ 23,665**	**$ 5,133**

Exhibit D-2

				PERMANENT				
Other Special Revenue	Totals	CAPITAL PROJECTS	DEBT SERVICE	Bequests	Children's Education Endowment	Wildlife Endowment	Totals	TOTALS
$ —	$ 711,840	$ —	$ —	$ —	$ —	$ —	$ —	$ 711,840
2,175	2,178	—	—	—	—	—	—	2,178
25,745	75,888	—	—	—	—	397	397	76,285
715	5,352	1,506	—	44	113	190	347	7,205
—	—	2,403	—	—	—	—	—	2,403
8,264	8,326	389	—	—	—	—	—	8,715
289	329,468	4,070	—	—	—	—	—	333,538
8,459	8,459	—	—	—	—	—	—	8,459
—	109,113	—	—	—	—	—	—	109,113
87	874	—	—	—	—	—	—	874
45,734	**1,251,498**	**8,368**	**—**	**44**	**113**	**587**	**744**	**1,260,610**
35,083	84,788	—	—	—	—	—	—	84,788
—	256,019	—	—	—	4,038	—	4,038	260,057
(31)	1,610	—	—	17	—	—	17	1,627
—	8	—	—	—	—	—	—	8
434	434	—	—	—	—	159	159	593
243	876	67,357	—	—	—	—	—	68,233
—	2	1,285	—	—	—	—	—	1,287
—	—	1,002	17,257	—	—	—	—	18,259
13,992	763,775	—	—	—	—	—	—	763,775
49,721	**1,107,512**	**69,644**	**17,257**	**17**	**4,038**	**159**	**4,214**	**1,198,627**
(3,987)	**143,986**	**(61,276)**	**(17,257)**	**27**	**(3,925)**	**428**	**(3,470)**	**61,983**
—	—	100,235	—	—	—	—	—	100,235
—	—	15,389	—	—	—	—	—	15,389
9,812	29,812	31,388	16,946	—	4,029	—	4,029	82,175
(554)	(147,256)	(72,787)	—	—	—	—	—	(220,043)
9,258	**(117,444)**	**74,225**	**16,946**	**—**	**4,029**	**—**	**4,029**	**(22,244)**
5,271	**26,542**	**12,949**	**(311)**	**27**	**104**	**428**	**559**	**39,739**
77,067	**456,118**	**81,086**	**51,579**	**1,395**	**7,149**	**3,907**	**12,451**	**601,234**
$ 82,338	**$ 482,660**	**$ 94,035**	**$ 51,268**	**$ 1,422**	**$ 7,253**	**$ 4,335**	**$ 13,010**	**$ 640,973**

General Reserve Fund Activity — Exhibit D-3

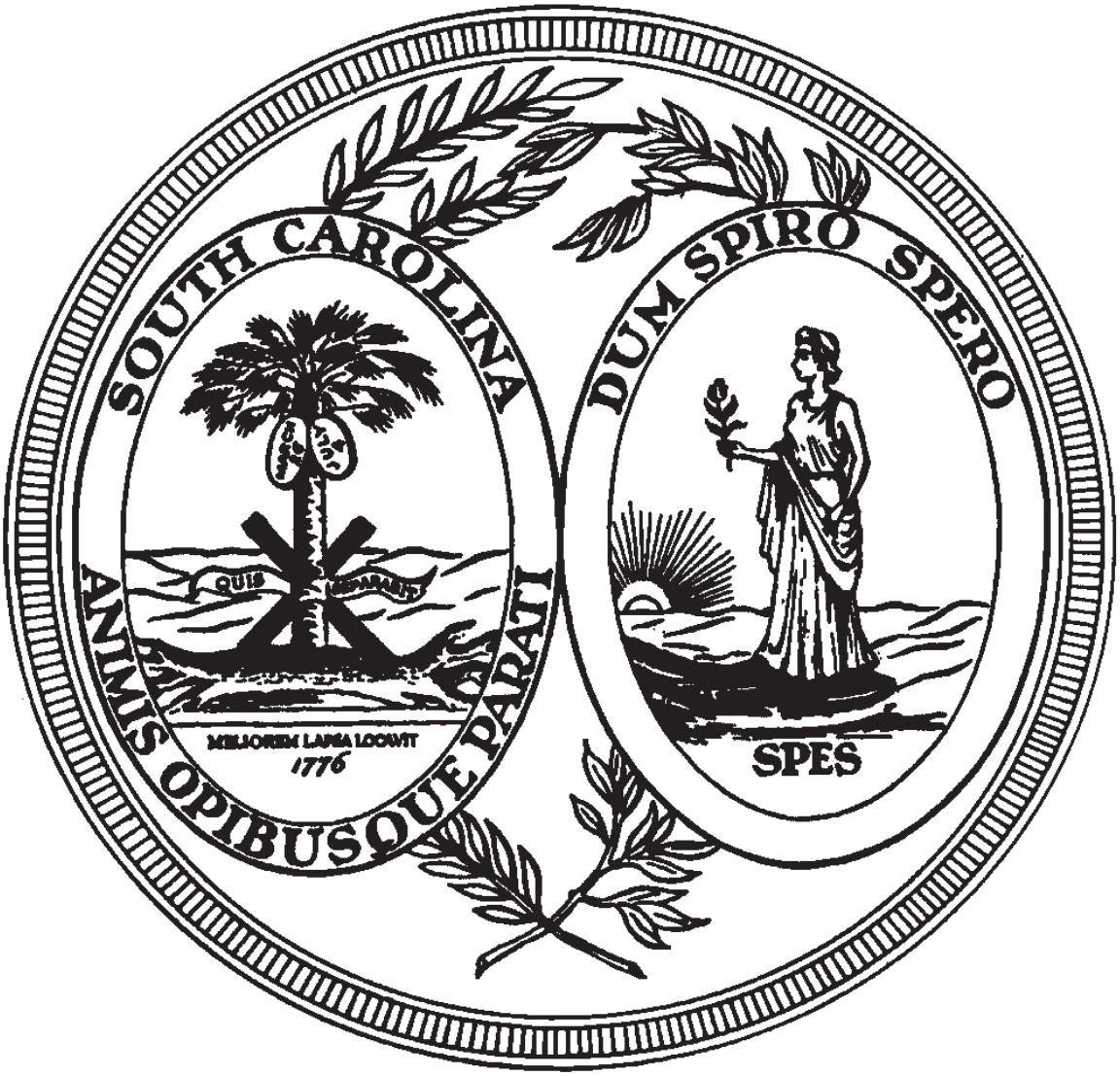
BUDGETARY GENERAL FUND
Last Ten Fiscal Years

Article III, Section 36, of the South Carolina Constitution establishes requirements relating to the General Reserve Fund (Reserve). The reserve primarily is designed to prevent Budgetary General Fund deficits. On November 4, 1988, a Constitutional amendment was passed, which permanently changed the funding requirement for the Reserve to three percent of the Budgetary General Fund revenue of the previous fiscal year. An additional Constitutional amendment was passed to be effective for the fiscal year 2011-2012, that requires the amount in the Reserve to be gradually increased one-half of one percent annually until the Reserve is five percent of the Budgetary General Fund revenue of the previous fiscal year.

If amounts are withdrawn from the Reserve, the State Constitution requires restoration of the Reserve to full funding within three years.

Key amounts for the General Reserve Fund for the last ten fiscal years are (dollars in thousands):

Fiscal Year Ended June 30	Start-of-Year Balance	Deposits	Withdrawals	End-of-Year Balance	Full-Funding Amount	End-of-Year % Funded
2005	$ 25,155	$ 50,000	$ —	$ 75,155	$ 149,034	50%
2006	75,155	78,333	—	153,488	153,488	100%
2007	153,488	14,244	—	167,732	167,732	100%
2008	167,732	19,049	(91,658)	95,123	186,781	51%
2009	95,123	12,974	(108,097)	—	199,755	—
2010	—	110,883	—	110,883	191,772	58%
2011	110,883	55,442	—	166,325	166,325	100%
2012	166,325	17,141	—	183,466	183,466	100%
2013	183,466	98,175	—	281,641	225,313	125%
2014	281,641	11,248	—	292,889	263,601	111%


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MEMORIAM LAUDA LOCAVIT
1776
SPES

Proprietary Funds

Proprietary funds include enterprise and internal service funds. This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's proprietary funds:

- Combining Statement of Net Position—Nonmajor Enterprise Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Nonmajor Enterprise Funds
- Combining Statement of Cash Flows—Nonmajor Enterprise Funds
- Combining Statement of Net Position—Internal Service Funds
- Combining Statement of Revenues, Expenses, and Changes in Fund Net Position—Internal Service Funds
- Combining Statement of Cash Flows—Internal Service Funds

Note 1b in the notes to the financial statements describes the State's major enterprise funds. The paragraphs below describe all nonmajor enterprise funds and the internal service funds that the State uses.

a. Nonmajor Enterprise Funds

The State uses enterprise funds to report activities for which it charges fees to external users for goods or services if *any* of the following situations applies:

- The activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity.
- Laws or regulations require that the activity's costs of providing services, including capital costs, be recovered with fees and charges rather than with taxes or similar revenues.
- The pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs.

The State uses the nonmajor enterprise funds described below.

Patients' Compensation Fund. This fund provides medical malpractice insurance to any public or private health care provider within the State. This fund is reported as an insurance enterprise.

Canteen Fund. This fund accounts for the operations of canteens at various correctional institutions.

Tuition Prepayment Program Fund. This fund, previously known as the PACE program, allows contributors to make payments, under the terms of a tuition prepayment contract, to cover future undergraduate tuition expenses of a designated beneficiary at a South Carolina public higher education institution. Alternatively, the benefits of this contract can be applied toward the cost of tuition, up to the weighted average tuition at South Carolina public institutions, at any accredited college or university to which the designated beneficiary has been admitted.

Palmetto Railways Fund. The Public Railways Division of the Department of Commerce d/b/a Palmetto Railways consists of two divisions: the Ports Utilities Commission and Port Terminal Railroad, which operates the railroad yard at the Charleston Harbor; and the East Cooper and Berkeley Railroad, which operates the railroad line in Berkeley County.

Other Enterprise Funds. Other enterprise activities of the State include: the Savannah Valley Development of the South Carolina Department of Commerce, operation of the Columbia Farmers' Market, and enterprise operations of the Adjutant General's Office and the State Board for Technical and Comprehensive Education.

b. Internal Service Funds

The State uses the internal service funds described below to report activities that provide goods or services to other State funds, departments, agencies, component units, and/or to other governments, on a cost-reimbursement basis if the State is the predominant participant in the activity. If the State is *not* the predominant participant, it reports the activity as an enterprise fund.

Insurance Reserve Fund. This is a risk management/reinsurance fund. It underwrites insurance risks on public buildings and their contents and tort liability, medical malpractice, and automobile liability for public employees. State law limits the Fund's customers to certain governmental persons/entities within the State and certain associated parties.

Employee Insurance Programs Fund. This is a risk management fund that underwrites the group health, dental, life, accidental death and dismemberment, disability, and long-term care benefits provided to State and public school employees and retirees.

State Accident Fund. This is a risk management fund that provides workers' compensation benefits predominantly to State employees. Premiums are collected from State agencies.

General Services Fund. This fund accounts for various services provided to State and local governmental units for which user fees are charged. These services include telecommunication and computer services, rental of office buildings, janitorial services, building maintenance, and procurement services.

Motor Pool Fund. This fund provides daily and permanent lease assignments of vehicles to State agencies. It also maintains an inventory of automotive parts to provide maintenance of these vehicles.

Prison Industries Fund. This fund accounts for goods produced by inmate labor. These goods are sold primarily to State agencies.

Other Internal Service Funds. These funds, aggregated for reporting purposes, account for other miscellaneous activities that meet the definition of internal service funds. Such activities include provision of training programs for State employees and work activity centers of the Vocational Rehabilitation Department.

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS

June 30, 2014
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
ASSETS				
Current assets:				
Cash and cash equivalents	$ 988	$ 2,890	$ 4,825	$ 13,194
Investments	10,713	—	100,256	—
Invested securities lending collateral	—	—	—	3
Receivables, net:				
Accounts	—	—	444	1,233
Participants	—	—	944	—
Accrued interest	97	—	—	18
Inventories	—	1,532	—	1,343
Restricted assets:				
Cash and cash equivalents	—	—	—	—
Prepaid items	199	1	—	239
Other current assets	—	—	—	8
Total current assets	11,997	4,423	106,469	16,038
Long-term assets:				
Receivables, net:				
Participants	—	—	2,899	—
Restricted assets:				
Loans receivable	—	—	—	—
Non-depreciable capital assets	—	—	—	113,894
Depreciable capital assets, net	874	—	—	19,837
Total long-term assets	874	—	2,899	133,731
Total assets	**12,871**	**4,423**	**109,368**	**149,769**

Exhibit E-1

Other Enterprise	Totals
$ 1,623	$ 23,520
—	110,969
—	3
930	2,607
—	944
31	146
—	2,875
2	2
—	439
—	8
2,586	141,513
—	2,899
2,153	2,153
508	114,402
1,320	22,031
3,981	141,485
6,567	**282,998**

Continued on Next Page

Combining Statement of Net Position

NONMAJOR ENTERPRISE FUNDS (Continued)

June 30, 2014
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
LIABILITIES				
Current liabilities:				
Accounts payable	75	4	1,128	1,400
Accrued salaries and related expenses	25	134	—	264
Tuition benefits payable	—	—	26,306	—
Policy claims	7,040	—	—	—
Due to other funds	—	52	—	—
Unearned revenues	3,487	—	—	248
Securities lending collateral	—	—	—	8
Liabilities payable from restricted assets:				
Accrued interest payable	—	—	—	—
Other	195	—	—	2,000
Revenue bonds payable	—	—	—	155
Compensated absences payable	15	98	—	260
Other current liabilities	—	—	—	83
Total current liabilities	10,837	288	27,434	4,418
Long-term liabilities:				
Tuition benefits payable	—	—	139,364	—
Policy claims	65,228	—	—	—
Interfund payables	—	—	—	—
Unearned revenues	—	—	—	911
Revenue bonds payable	—	—	—	6,055
Compensated absences payable	—	162	—	—
Other long-term liabilities	—	—	—	4,005
Total long-term liabilities	65,228	162	139,364	10,971
Total liabilities	**76,065**	**450**	**166,798**	**15,389**
NET POSITION				
Net investment in capital assets	874	—	—	121,521
Restricted:				
Expendable:				
Education	—	—	—	—
Other	—	—	—	—
Unrestricted	(64,068)	3,973	(57,430)	12,859
Total net position	**$ (63,194)**	**$ 3,973**	**$ (57,430)**	**$ 134,380**

Exhibit E-1

Other Enterprise	Totals
5	$ 2,612
113	536
—	26,306
—	7,040
44	96
—	3,735
—	8
32	32
—	2,195
—	155
165	538
—	83
359	43,336
—	139,364
—	65,228
2,153	2,153
—	911
—	6,055
69	231
—	4,005
2,222	217,947
2,581	**261,283**
1,828	124,223
20	20
116,482	116,482
(114,344)	(219,010)
$ 3,986	**$ 21,715**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Operating revenues:				
Charges for services	$ 12,453	$ 16,762	$ —	$ 11,746
Contributions	—	—	1,317	—
Interest and other investment income	—	—	22,353	43
Other operating revenues	—	—	—	113
Total operating revenues	**12,453**	**16,762**	**23,670**	**11,902**
Operating expenses:				
General operations and administration	1,519	14,230	324	7,056
Benefits and claims	(8,070)	—	—	—
Tuition plan disbursements	—	—	15,237	—
Depreciation and amortization	93	1	—	821
Other operating expenses	—	—	—	—
Total operating expenses	**(6,458)**	**14,231**	**15,561**	**7,877**
Operating income (loss)	**18,911**	**2,531**	**8,109**	**4,025**
Nonoperating revenues (expenses):				
Interest income	164	—	—	(84)
Contributions	—	—	—	—
Federal grants and contracts	—	—	—	210
Interest expense	—	—	—	—
Net other nonoperating revenues (expenses)	—	(1,000)	—	1,204
Total nonoperating revenues (expenses)	**164**	**(1,000)**	**—**	**1,330**
Income (loss) before transfers	**19,075**	**1,531**	**8,109**	**5,355**
Transfers in	—	327	—	49,093
Transfers out	—	(1,320)	—	—
Change in net position	**19,075**	**538**	**8,109**	**54,448**
Net position, at beginning of year, as restated	**(82,269)**	**3,435**	**(65,539)**	**79,932**
Net position at end of year	**$ (63,194)**	**$ 3,973**	**$ (57,430)**	**$ 134,380**

Exhibit E-2

Other Enterprise	Totals
$ 4,741	$ 45,702
—	1,317
2	22,398
—	113
4,743	**69,530**
3,849	26,978
—	(8,070)
—	15,237
120	1,035
14	14
3,983	**35,194**
760	**34,336**
95	175
—	—
—	210
(95)	(95)
85	289
85	**579**
845	**34,915**
42	49,462
(42)	(1,362)
845	**83,015**
3,141	**(61,300)**
$ 3,986	**$ 21,715**

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Cash flows from operating activities:				
Receipts from customers, patients, and third-party payers	$ 11,583	$ 16,771	$ —	$ 11,464
Assessments received	—	—	—	—
Tuition plan contributions received	—	—	3,559	—
Claims and benefits paid	(10,115)	—	(31,628)	—
Payments to suppliers for goods and services	(1,083)	(13,648)	—	(2,846)
Payments to employees	(360)	(1,591)	—	(3,001)
Internal activity–payments to other funds	—	(5)	—	—
Other operating cash receipts	—	—	804	113
Net cash provided by (used in) operating activities	**25**	**1,527**	**(27,265)**	**5,730**
Cash flows from noncapital financing activities:				
Interest payments on noncapital debt	—	—	—	—
Other noncapital financing cash receipts	—	—	—	1,176
Other noncapital financing cash payments	—	—	—	(2,086)
Transfers in	—	327	—	49,093
Transfers out	—	(1,320)	—	—
Net cash used in noncapital financing activities	**—**	**(993)**	**—**	**48,183**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(142)	—	—	(61,055)
Principal payments on capital debt	—	—	—	(150)
Capital grants and gifts received	—	—	—	194
Proceeds from sale or disposal of capital assets	—	—	—	30
Net cash provided by (used in) capital and related financing activities	**(142)**	**—**	**—**	**(60,981)**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	2,234	—	—	—
Purchase of investments	(1,624)	—	(5,610)	—
Interest and dividends on investments	340	—	22,349	(16)
Net cash provided by (used in) investing activities	**950**	**—**	**16,739**	**(16)**
Net increase (decrease) in cash and cash equivalents	**833**	**534**	**(10,526)**	**(7,084)**
Cash and cash equivalents at beginning of year	**155**	**2,356**	**15,351**	**20,278**
Cash and cash equivalents at end of year	**$ 988**	**$ 2,890**	**$ 4,825**	**$ 13,194**

Exhibit E-3

Other Enterprise	Totals
$ 4,688	$ 44,506
—	—
—	3,559
—	(41,743)
(2,862)	(20,439)
(1,932)	(6,884)
—	(5)
—	917
(106)	**(20,089)**
(19)	(19)
37	1,213
—	(2,086)
42	49,462
(42)	(1,362)
18	**47,208**
—	(61,197)
—	(150)
—	194
120	150
120	**(61,003)**
—	2,234
—	(7,234)
17	22,690
17	**17,690**
49	**(16,194)**
1,576	**39,716**
$ 1,625	**$ 23,522**

Continued on Next Page

Combining Statement of Cash Flows

NONMAJOR ENTERPRISE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Patients' Compensation	Canteen	Tuition Prepayment Program	Palmetto Railways
Reconciliation of operating income(loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 18,911	$ 2,531	$ 8,109	$ 4,025
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	93	1	—	821
Provision for bad debts	—	—	—	—
Realized gains and losses on sale of assets	—	—	—	(30)
Interest and dividends on investments and interfund loans	—	—	(22,351)	—
Other nonoperating revenues	—	7	—	—
Other nonoperating expenses	—	(1,015)	—	—
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	—	2,241	—
Due from other funds	—	—	—	—
Inventories	—	(10)	—	71
Other assets	(2)	1	—	(115)
Accounts payable	(36)	10	1,128	1,153
Accrued salaries and related expenses	(4)	1	—	7
Tuition benefits payable	—	—	(16,392)	—
Policy claims	(18,185)	—	—	—
Due to other funds	—	(1)	—	—
Unearned revenues	(870)	—	—	(214)
Compensated absences payable	(8)	2	—	12
Other liabilities	126	—	—	—
Net cash provided by (used in) operating activities	**$ 25**	**$ 1,527**	**$ (27,265)**	**$ 5,730**
Noncash capital, investing, and financing activities:				
Increase in fair value of investments	$ 46	$ —	$ 2,268	$ —
	$ 46	$ —	$ 2,268	$ —

Exhibit E-3

Other Enterprise	Totals
$ 760	$ 34,336
120	1,035
(29)	(29)
—	(30)
(17)	(22,368)
36	43
(1,186)	(2,201)
129	2,370
—	—
—	61
18	(98)
5	2,260
26	30
—	(16,392)
—	(18,185)
—	(1)
—	(1,084)
32	38
—	126
$ (106)	**$ (20,089)**
$ —	$ 2,314
$ —	$ 2,314

Combining Statement of Net Position

INTERNAL SERVICE FUNDS

June 30, 2014
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
ASSETS					
Current assets:					
Cash and cash equivalents	$ 21,312	$ 318,287	$ 230,908	$ 14,743	$ 11,874
Invested securities lending collateral	2,819	190	130	1	—
Receivables, net:					
Accounts	11,215	94,680	66,373	1,676	1,276
Accrued interest	3,689	26	402	1	—
Due from other funds	1,215	287	—	1,563	610
Due from component units	5,028	—	—	—	—
Inventories	—	—	—	692	—
Prepaid items	21,093	—	13	821	—
Total current assets	66,371	413,470	297,826	19,497	13,760
Long-term assets:					
Investments	454,597	—	—	—	—
Accounts receivable, net	—	—	—	—	—
Interfund receivables	2,153	—	—	8,435	4,700
Prepaid items	—	—	—	804	—
Other long-term assets	—	—	331	—	—
Non-depreciable capital assets	—	—	—	6,897	—
Depreciable capital assets, net	7	173	106	79,630	10,545
Total long-term assets	456,757	173	437	95,766	15,245
Total assets	**523,128**	**413,643**	**298,263**	**115,263**	**29,005**

Exhibit E-4

Prison Industries	Other Internal Service	Totals
$ 2,951	$ 939	$ 601,014
—	—	3,140
3,211	2	178,433
—	—	4,118
—	—	3,675
—	—	5,028
2,637	—	3,329
—	—	21,927
8,799	941	820,664
—	—	454,597
1,051	—	1,051
—	—	15,288
—	—	804
—	—	331
—	—	6,897
5,338	—	95,799
6,389	—	574,767
15,188	**941**	**1,395,431**

Continued on Next Page

Combining Statement of Net Position

INTERNAL SERVICE FUNDS (Continued)

June 30, 2014
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
LIABILITIES					
Current liabilities:					
Accounts payable	$ 31	$ —	$ 323	$ 2,562	$ 870
Accrued salaries and related expenses	246	541	264	1,294	80
Accrued interest payable	—	—	—	219	—
Intergovernmental payables	—	—	—	151	—
Policy claims	258,398	158,988	87,549	—	—
Due to other funds	—	—	—	437	31
Unearned revenues	55,874	20,937	69,844	(64)	(96)
Securities lending collateral	8,329	562	383	3	—
Notes payable	—	—	—	—	—
Revenue bonds payable	—	—	—	1,965	—
Limited obligation bonds payable	—	—	—	734	—
Compensated absences payable	173	480	12	1,294	96
Other current liabilities	—	—	3,689	—	—
Total current liabilities	323,051	181,508	162,064	8,595	981
Long-term liabilities:					
Policy claims	—	—	160,551	—	—
Interfund payables	—	—	—	5,183	—
Notes payable	—	—	—	—	—
Revenue bonds payable	—	—	—	6,791	—
Limited obligation bonds payable	—	—	—	185	—
Compensated absences payable	109	271	295	852	63
Total long-term liabilities	109	271	160,846	13,011	63
Total liabilities	**323,160**	**181,779**	**322,910**	**21,606**	**1,044**
NET POSITION					
Net investment in capital assets	7	173	106	76,852	10,545
Restricted:					
Expendable:					
Loan programs	17,847	—	—	—	—
Insurance programs	—	234,179	—	—	—
Unrestricted	182,114	(2,488)	(24,753)	16,805	17,416
Total net position	**$ 199,968**	**$ 231,864**	**$ (24,647)**	**$ 93,657**	**$ 27,961**

Exhibit E-4

Prison Industries	Other Internal Service	Totals
$ 17	$ —	$ 3,803
844	5	3,274
2	—	221
—	—	151
—	—	504,935
257	2	727
—	—	146,495
—	—	9,277
281	—	281
—	—	1,965
—	—	734
347	8	2,410
—	—	3,689
1,748	15	677,962
—	—	160,551
—	—	5,183
533	—	533
—	—	6,791
—	—	185
228	5	1,823
761	5	175,066
2,509	**20**	**853,028**
4,524	—	92,207
—	—	17,847
—	—	234,179
8,155	921	198,170
$ 12,679	**$ 921**	**$ 542,403**

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services	Motor Pool
Operating revenues:					
Charges for services	$ 114,142	$ 2,101,948	$ 73,076	$ 55,546	$ 28,680
Licenses, fees, and permits	—	—	—	2	—
Other operating revenues	—	143,445	—	—	—
Total operating revenues	**114,142**	**2,245,393**	**73,076**	**55,548**	**28,680**
Operating expenses:					
General operations and administration	52,514	367,923	4,354	54,620	21,651
Benefits and claims	72,921	1,836,473	65,807	1	—
Interest	—	—	—	—	—
Depreciation and amortization	6	86	84	5,754	2,544
Other operating expenses	—	—	373	353	4
Total operating expenses	**125,441**	**2,204,482**	**70,618**	**60,728**	**24,199**
Operating income (loss)	**(11,299)**	**40,911**	**2,458**	**(5,180)**	**4,481**
Nonoperating revenues (expenses):					
Interest income	11,150	4,905	2,900	462	—
Contributions	—	—	—	1	—
Interest expense	—	—	—	(527)	—
Net other nonoperating revenues (expenses)	—	—	52	3,678	71
Losses on sale of capital assets	—	—	—	(28)	(19)
Total nonoperating revenues (expenses)	**11,150**	**4,905**	**2,952**	**3,586**	**52**
Income (loss) before transfers	**(149)**	**45,816**	**5,410**	**(1,594)**	**4,533**
Transfers in	—	—	—	582	2,558
Transfers out	—	—	—	(8,220)	(1,188)
Change in net position	**(149)**	**45,816**	**5,410**	**(9,232)**	**5,903**
Net position, beginning, as restated	**200,117**	**186,048**	**(30,057)**	**102,889**	**22,058**
Net position at end of year	**$ 199,968**	**$ 231,864**	**$ (24,647)**	**$ 93,657**	**$ 27,961**

Exhibit E-5

Prison Industries	Other Internal Service	Totals
$ 18,272	$ 390	$ 2,392,054
—	—	2
—	—	143,445
18,272	**390**	**2,535,501**
19,158	198	520,418
—	—	1,975,202
15	—	15
488	—	8,962
18	—	748
19,679	**198**	**2,505,345**
(1,407)	**192**	**30,156**
—	—	19,417
—	—	1
—	—	(527)
1,058	—	4,859
—	—	(47)
1,058	**—**	**23,703**
(349)	**192**	**53,859**
—	218	3,358
—	—	(9,408)
(349)	**410**	**47,809**
13,028	**511**	**494,594**
$ 12,679	**$ 921**	**$ 542,403**

Combining Statement of Cash Flows

INTERNAL SERVICE FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Cash flows from operating activities:				
Receipts from customers	$ 64,089	$ 2,100,163	$ 22,029	$ —
Internal activity–payments from other funds	48,920	—	55,567	58,583
Other operating cash receipts	—	115,268	—	1
Claims paid	(75,051)	(1,891,982)	(49,937)	—
Payments to suppliers for goods and services	(43,861)	(368,122)	(6,519)	(34,802)
Payments to employees	(2,831)	(5,960)	(3,522)	(19,425)
Payments of funds held for others	—	3,248	—	—
Internal activity–payments to other funds	—	—	(3,368)	—
Other operating cash payments	—	—	—	—
Net cash provided by (used in) operating activities	**(8,734)**	**(47,385)**	**14,250**	**4,357**
Cash flows from noncapital financing activities:				
Principal payments received from other funds	21,224	—	—	1,870
Advances received from other funds	—	—	—	1,015
Principal payments made to other funds	—	—	—	(16)
Receipt of interest from other funds	663	—	—	—
Interest payments on noncapital debt	—	(10)	—	—
Other noncapital financing cash receipts	—	—	—	3,685
Other noncapital financing cash payments	—	5,273	—	—
Transfers in	—	—	—	582
Transfers out	—	—	—	(8,220)
Net cash provided by (used in) noncapital financing activities	**21,887**	**5,263**	**—**	**(1,084)**
Cash flows from capital and related financing activities:				
Acquisition of capital assets	—	(113)	(32)	(721)
Principal payments on limited obligation bonds	—	—	—	(1,495)
Principal payments on capital debt	—	—	—	(1,870)
Interest payments on capital debt	—	—	—	(679)
Net cash used in capital financing activities	**—**	**(113)**	**(32)**	**(4,765)**
Cash flows from investing activities:				
Proceeds from sales and maturities of investments	204,140	—	—	—
Purchase of investments	(215,550)	—	—	—
Interest on investments	12,865	—	2,491	465
Net cash provided by investing activities	**1,455**	**—**	**2,491**	**465**
Net increase (decrease) in cash and cash equivalents	**14,608**	**(42,235)**	**16,709**	**(1,027)**
Cash and cash equivalents, beginning, as restated	**6,704**	**360,522**	**214,199**	**15,770**
Cash and cash equivalents at end of year	**$ 21,312**	**$ 318,287**	**$ 230,908**	**$ 14,743**

Exhibit E-6

Motor Pool	Prison Industries	Other Internal Service	Totals
$ —	$ 17,956	$ —	$ 2,204,237
28,375	(1,379)	380	190,446
—	—	—	115,269
—	—	—	(2,016,970)
(20,026)	(2,757)	(34)	(476,121)
(1,395)	(14,175)	(171)	(47,479)
—	—	—	3,248
—	(1)	—	(3,369)
(4)	—	—	(4)
6,950	**(356)**	**175**	**(30,743)**
—	—	—	23,094
—	—	—	1,015
—	—	—	(16)
—	—	—	663
—	—	—	(10)
71	1,058	—	4,814
—	—	—	5,273
2,558	—	218	3,358
(1,188)	—	—	(9,408)
1,441	**1,058**	**218**	**28,783**
(7,929)	(25)	—	(8,820)
—	—	—	(1,495)
—	(257)	—	(2,127)
—	(16)	—	(695)
(7,929)	**(298)**	**—**	**(13,137)**
—	—	—	204,140
—	—	—	(215,550)
—	—	—	15,821
—	**—**	**—**	**4,411**
462	**404**	**393**	**(10,686)**
11,412	**2,547**	**546**	**611,700**
$ 11,874	**$ 2,951**	**$ 939**	**$ 601,014**

Continued on Next Page

Combining Statement of Cash Flows

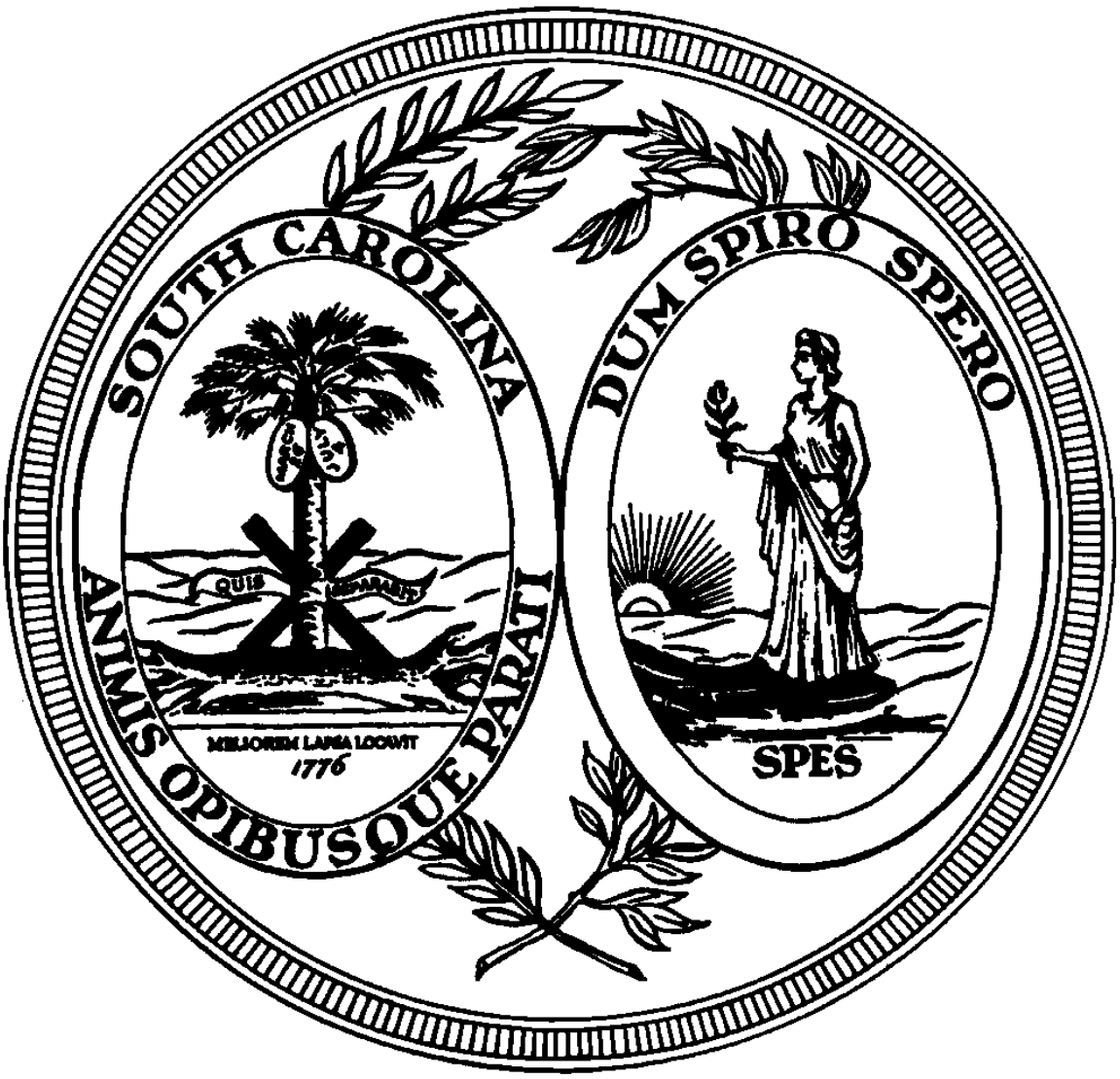
INTERNAL SERVICE FUNDS (Continued)

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Insurance Reserve	Employee Insurance Programs	State Accident	General Services
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities				
Operating income (loss)	$ (11,299)	$ 40,911	$ 2,458	$ (5,180)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	6	86	84	5,754
Interest payments reclassified as capital and related financing activities	—	—	—	(103)
Interest and dividends on investments and interfund loans	—	—	83	—
Realized losses on sale of assets	—	—	—	3,064
Other nonoperating revenues	—	—	13	28
Other nonoperating expenses	—	—	—	(750)
Effect of change in operating assets and liabilities:				
Accounts receivable, net	—	(31,504)	436	1,836
Due from other funds	(490)	447	—	—
Inventories	—	—	—	(136)
Other assets	5,810	—	38	3
Accounts payable	19	(200)	(1,742)	1,278
Accrued salaries and related expenses	16	83	1	1
Policy claims	(1,251)	(55,508)	12,100	—
Due to other funds	—	—	—	(1,330)
Unearned revenues	(1,522)	(1,902)	628	64
Compensated absences payable	(23)	202	10	(15)
Other liabilities	—	—	141	(157)
Net cash provided by (used in) operating activities	**$ (8,734)**	**$ (47,385)**	**$ 14,250**	**$ 4,357**
Noncash capital, investing, and financing activities				
Disposal of capital assets	$ —	$ —	$ —	$ 3,092
Increase (decrease) in fair value of investments	2,027	(2,116)	(28)	—
Total noncash capital, investing, and financing activities	**$ 2,027**	**$ (2,116)**	**$ (28)**	**$ 3,092**

Exhibit E-6

Motor Pool	Prison Industries	Other Internal Service	Totals
$ 4,481	$ (1,407)	$ 192	$ 30,156
2,544	488	—	8,962
—	15	—	(88)
—	—	—	83
18	—	—	3,082
—	29	—	70
—	—	—	(750)
29	(299)	—	(29,502)
(228)	—	—	(271)
—	853	—	717
—	35	—	5,886
225	10	—	(410)
(18)	(79)	(6)	(2)
—	—	—	(44,659)
(6)	(1)	(1)	(1,338)
(96)	—	—	(2,828)
1	—	(10)	165
—	—	—	(16)
$ 6,950	**$ (356)**	**$ 175**	**$ (30,743)**
$ 3,001	$ 6	$ —	$ 6,099
—	—	—	(117)
$ 3,001	**$ 6**	**$ —**	**$ 5,982**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
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Fiduciary Funds

Fiduciary funds include pension and other post-employment benefit trust funds, investment trust funds, private-purpose trust funds, and agency funds. Note 1b in the notes to the financial statements provides definitions of each of these fund types.

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's fiduciary funds:

- Combining Statement of Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Changes in Plan Net Position—Pension and Other Post-Employment Benefit Trust Funds
- Combining Statement of Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Fiduciary Net Position—Private-Purpose Trust Funds
- Combining Statement of Changes in Assets and Liabilities—Agency Funds

The State maintains only one investment trust fund, so no combining statements are necessary for that fund type. The paragraphs below describe all other individual fiduciary funds that the State uses.

a. Pension and Other Post-Employment Benefit Trust Funds

South Carolina Retirement System. This is a multiple-employer pension system that benefits employees of the State, public schools, and political subdivisions of the State.

Police Officers' Retirement System. This is a multiple-employer pension system that benefits police officers and fire fighters employed by the State or its political subdivisions.

General Assembly Retirement System. This is a single-employer pension system that benefits members of the South Carolina General Assembly.

Judges' and Solicitors' Retirement System. This is a single-employer pension system that benefits the judges of the State's Supreme Court, Court of Appeals, circuit courts, family courts, and the State's circuit solicitors.

National Guard Retirement System. The State administers this single-employer pension system that provides a supplemental retirement benefit to members of the South Carolina National Guard. The State is a nonemployer contributor to the system.

South Carolina Retiree Health Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer post-employment health and dental benefit plans.

Long-term Disability Insurance Trust Fund. This trust was established to fund the State's cost-sharing multiple employer long-term disability insurance plans.

b. Private-Purpose Trust Funds

College Savings Plan Fund. The Future Scholar 529 College Savings Plan (the Plan), accounted for in this fund, provides participant families a tax-advantaged method of saving for future college costs. A primary objective of both the financial advisor program and the direct program within the Plan is to provide families with flexibility and professional investment management in meeting their college savings objectives.

Other Private-Purpose Trust Funds. This fund accounts for monies the State has received as trustee under various trust arrangements that specify how the principal and interest earnings must be used. In each case, all of the principal and income benefit individuals, private organizations, or governments outside the State reporting entity; none of the monies may be used for State purposes. The purposes to which the resources of these funds are dedicated include scholarships, the operation of the equestrian center and activities at the Springdale Race Course (for the exclusive benefit of the Carolina Cup Racing Association, Inc., a private nonprofit corporation), and the decommissioning of a low-level radioactive waste disposal facility on behalf of Chem-Nuclear Systems, Inc., a for-profit corporation.

c. Agency Funds

Agency Funds are used to account for resources held by the State in a short-term custodial capacity for individuals, private organizations, and other governments. Balances in these funds, aggregated for presentation purposes, represent amounts held for prisoners and patients of State institutions, cash bonds, miscellaneous clearing accounts, and other deposits.

Combining Statement of Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

June 30, 2014
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
ASSETS					
Cash and cash equivalents	$ 2,552,961	$ 396,203	$ 4,873	$ 16,219	$ 3,761
Receivables:					
Contributions	174,015	20,548	172	751	16
Accrued interest	32,286	4,983	40	182	26
Unsettled investment sales	732,115	112,991	918	4,132	595
Other investment receivables	1,567	242	2	9	1
Total receivables	939,983	138,764	1,132	5,074	638
Due from other funds	268	949	—	—	—
Investments, at fair value:					
Short-term investments	719,307	111,015	901	4,060	584
Debt-domestic	4,926,250	760,296	6,174	27,804	4,002
Debt-international	2,133,683	329,303	2,675	12,043	1,733
Equity-domestic	2,176,128	335,854	2,727	12,283	1,768
Equity-international	5,102,975	787,571	6,396	28,801	4,146
Alternatives	7,965,558	1,229,369	9,983	44,958	6,472
Financial and other	—	—	—	—	—
Total investments	23,023,901	3,553,408	28,856	129,949	18,705
Invested securities lending collateral	62,515	9,648	78	353	51
Capital assets, net	2,617	274	7	13	1
Prepaid items	2,019	313	3	11	2
Total assets	**26,584,264**	**4,099,559**	**34,949**	**151,619**	**23,158**
LIABILITIES					
Accounts payable	8,003	1,235	10	45	7
Accounts payable–unsettled investment purchases	612,416	94,518	768	3,457	497
Policy claims	—	—	—	—	—
Due to other funds	54,169	1,280	—	—	—
Deferred retirement benefits	56,901	—	—	—	—
Securities lending collateral	104,396	16,112	131	589	85
Other liabilities	9,858	1,312	6	32	11
Total liabilities	**845,743**	**114,457**	**915**	**4,123**	**600**
NET POSITION					
Held in trust for pension and other post-employment benefits	**$ 25,738,521**	**$ 3,985,102**	**$ 34,034**	**$ 147,496**	**$ 22,558**

Exhibit F-1

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 106,124	$ 3,210	$ 3,083,351
—	—	195,502
4,365	295	42,177
—	—	850,751
—	—	1,821
4,365	295	1,090,251
54,316	—	55,533
—	—	835,867
585,188	30,906	6,340,620
—	—	2,479,437
—	—	2,528,760
—	—	5,929,889
—	—	9,256,340
40,133	2,601	42,734
625,321	33,507	27,413,647
2,513	90	75,248
—	—	2,912
—	—	2,348
792,639	**37,102**	**31,723,290**
—	—	9,300
—	—	711,656
—	271	271
252	119	55,820
—	—	56,901
7,416	265	128,994
—	—	11,219
7,668	**655**	**974,161**
$ 784,971	**$ 36,447**	**$ 30,749,129**

Combining Statement of Changes in Plan Net Position

PENSION AND OTHER POST-EMPLOYMENT BENEFIT TRUST FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	PENSION TRUST				
	South Carolina Retirement System	Police Officers' Retirement System	General Assembly Retirement System	Judges' and Solicitors' Retirement System	National Guard Retirement System
Additions:					
Contributions:					
Employer	$ 963,385	$ 155,634	$ 4,063	$ 9,659	$ 4,586
Employee	652,631	96,004	384	2,448	—
Total contributions	1,616,016	251,638	4,447	12,107	4,586
Investment income:					
Interest income and net appreciation in investments	3,918,705	600,319	5,051	22,230	3,133
Securities lending income	1,490	229	2	8	1
Total investment income	3,920,195	600,548	5,053	22,238	3,134
Less investment expense:					
Investment expense	402,871	62,162	508	2,276	328
Securities lending expense	—	—	—	—	—
Net investment income	3,517,324	538,386	4,545	19,962	2,806
Assets moved between pension trust funds	—	2,260	15	195	—
Total additions	**5,133,340**	**792,284**	**9,007**	**32,264**	**7,392**
Deductions:					
Regular retirement benefits	2,293,335	311,593	6,799	15,897	4,248
Supplemental retirement benefits	590	26	—	—	—
Deferred retirement benefits	168,221	—	—	778	—
Refunds of retirement contributions to members	90,250	16,184	41	—	—
Death benefit claims	19,240	2,410	20	10	—
Accidental death benefits	—	1,597	—	—	—
Other post-employment benefits	—	—	—	—	—
Depreciation	200	25	1	1	—
Administrative expense	11,565	1,795	16	67	10
Assets moved between pension trust funds	2,470	—	—	—	—
Total deductions	**2,585,871**	**333,630**	**6,877**	**16,753**	**4,258**
Change in net position	**2,547,469**	**458,654**	**2,130**	**15,511**	**3,134**
Net position at beginning of year, as restated	**23,191,052**	**3,526,448**	**31,904**	**131,985**	**19,424**
Net position at end of year	**$ 25,738,521**	**$ 3,985,102**	**$ 34,034**	**$ 147,496**	**$ 22,558**

Exhibit F-2

OPEB TRUST		
South Carolina Retiree Health Insurance Trust Fund	Long-term Disability Insurance Trust Fund	Totals
$ 473,042	$ 6,944	$ 1,617,313
—	—	751,467
473,042	6,944	2,368,780
23,675	1,275	4,574,388
38	—	1,768
23,713	1,275	4,576,156
—	—	468,145
5	—	5
23,708	1,275	4,108,006
—	—	2,470
496,750	**8,219**	**6,479,256**
—	—	2,631,872
—	—	616
—	—	168,999
—	—	106,475
—	—	21,680
—	—	1,597
380,673	7,195	387,868
—	—	227
78	3	13,534
—	—	2,470
380,751	**7,198**	**3,335,338**
115,999	**1,021**	**3,143,918**
668,972	**35,426**	**27,605,211**
$ 784,971	**$ 36,447**	**$ 30,749,129**

Combining Statement of Fiduciary Net Position — Exhibit F-3

PRIVATE-PURPOSE TRUST FUNDS

June 30, 2014
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
ASSETS			
Cash and cash equivalents	$ 588	$ 19,479	$ 20,067
Receivables, net:			
Accrued interest	1,294	42	1,336
Unsettled investment sales	2,828	—	2,828
Investments	2,143,791	—	2,143,791
Invested securities lending collateral	—	23	23
Other assets	—	4,737	4,737
Total assets	**2,148,501**	**24,281**	**2,172,782**
LIABILITIES			
Accounts payable	1,475	100	1,575
Accounts payable–unsettled investment purchases	2,282	—	2,282
Securities lending collateral	—	67	67
Total liabilities	**3,757**	**167**	**3,924**
NET POSITION			
Held in trust for other purposes	**$ 2,144,744**	**$ 24,114**	**$ 2,168,858**

Combining Statement of Changes in Fiduciary Net Position

Exhibit F-4

PRIVATE-PURPOSE TRUST FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	College Savings Plan	Other Private-Purpose Trust	Totals
Additions:			
Licenses, fees, and permits	$ —	$ 38	$ 38
Tuition plan deposits	127,562	—	127,562
Contributions	—	1,789	1,789
Interest income	272,109	277	272,386
Total additions	**399,671**	**2,104**	**401,775**
Deductions:			
Administrative expense	8,447	2,158	10,605
Other expenses	502	109	611
Total deductions	**8,949**	**2,267**	**11,216**
Change in net position	**390,722**	**(163)**	**390,559**
Net position at beginning of year	**1,754,022**	**24,277**	**1,778,299**
Net position at end of year	**$ 2,144,744**	**$ 24,114**	**$ 2,168,858**

Combining Statement of Changes in Assets and Liabilities

Exhibit F-5

AGENCY FUNDS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets:				
Cash and cash equivalents	$ 235,494	$ 8,330,876	$ 8,294,055	$ 272,315
Accounts receivable	1,194	87,906	80,625	8,475
Accrued interest receivable	298	299	379	218
Taxes receivable	497	11,291	11,333	455
Loans and notes receivable	—	27	—	27
Due from other funds	12,014	13,491	12,917	12,588
Invested securities lending collateral	25	242	175	92
Prepaid expenses	1	1	2	—
Total assets	**$ 249,523**	**$ 8,444,133**	**$ 8,399,486**	**$ 294,170**
Liabilities:				
Accounts payable	$ 9,526	$ 1,270,093	$ 1,271,321	$ 8,298
Due to other funds	—	45,837	45,837	—
Tax refunds payable	4	1	2	3
Intergovernmental payables	18,889	18,889	17,069	20,709
Deposits	3,759	361	452	3,668
Amounts held in custody for others	217,224	1,074,063	1,030,107	261,180
Securities lending collateral	88	534	349	273
Due to participants	33	34	28	39
Total liabilities	**$ 249,523**	**$ 2,409,812**	**$ 2,365,165**	**$ 294,170**

Discretely Presented Component Units

This subsection of the Comprehensive Annual Financial Report provides the following supplementary information for the State's nonmajor discretely presented component units:

- Combining Statement of Net Position—Nonmajor Discretely Presented Component Units
- Combining Statement of Activities—Nonmajor Discretely Presented Component Units

The following entities are nonmajor discretely presented component units of the State:

The following universities are nonmajor component units: *The Citadel, Coastal Carolina University, College of Charleston, Francis Marion University, Lander University, South Carolina State University,* and *Winthrop University*.

The following technical colleges are nonmajor component units: *Aiken Technical College, Central Carolina Technical College, Denmark Technical College, Florence-Darlington Technical College, Greenville Technical College, Horry-Georgetown Technical College, Technical College of the Lowcountry, Midlands Technical College, Northeastern Technical College, Orangeburg-Calhoun Technical College, Piedmont Technical College, Spartanburg Community College, Tri-county Technical College, Trident Technical College, Williamsburg Technical College,* and *York Technical College*.

Connector 2000 Association, Inc. is a legally separate entity created to contract with the State Department of Transportation (DOT) in financing, acquiring, constructing, and operating turnpikes and other transportation projects, primarily the project known as the Southern Connector in Greenville County.

The *South Carolina Education Assistance Authority* issues bonds to make loans to individuals to enable students to attend higher education institutions. Resources include interest charges, subsidies from the United States Department of Education, loan repayments, and investment earnings.

The *South Carolina Jobs-Economic Development Authority* is a legally separate entity that promotes and develops business and economic welfare in the state.

The *South Carolina Lottery Commission* was created through an act of the General Assembly to generate entertainment for citizens and visitors of the state while providing revenue for educational purposes. State law requires, as nearly practical, that at least 45% of sales must be returned to the public in the form of prizes to achieve its entertainment value and that the Commission must transfer its net proceeds to the State to support improvements and enhancements for educational purposes and programs.

The *Patriots Point Development Authority* was established to develop and maintain a naval and maritime museum on Charleston Harbor, and to provide a place of education and recreation. The Patriots Point Development Authority Board also oversees the stewardship of over 350 acres of property on Charleston Harbor.

The *South Carolina Medical Malpractice Liability Joint Underwriting Association* was established to provide medical malpractice insurance on a self-supporting basis.

The *South Carolina First Steps to School Readiness* is a legally separate non-profit, tax-exempt public charity created specifically to carry out the objectives of The South Carolina First Steps to School Readiness Act and to lessen the burdens on government by overseeing the initiative for improving early childhood development of the Act.

The *Children's Trust Fund of South Carolina, Inc*. is a non-profit, tax-exempt public charity with a purpose to stimulate innovative prevention and treatment programming to meet critical needs of South Carolina's children by awarding grants to private non-profit organizations.

Combining Statement of Net Position

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2014
(Expressed in Thousands)

	The Citadel	Coastal Carolina University	College of Charleston	Francis Marion University	Lander University	South Carolina State University	Winthrop University
ASSETS							
Cash and cash equivalents	$ 44,072	$ 62,606	$ 48,788	$ 17,688	$ 18,567	$ 4,335	$ 15,366
Investments	106,349	6,178	1,159	4,021	15,190	—	—
Invested securities lending collateral	13	65	29	5	11	5	14
Receivables, net:							
Accounts	4,594	3,379	3,631	601	142	208	121
Contributions	10,388	—	7,322	7,760	29	—	1,499
Accrued interest	98	166	46	15	483	—	33
Student accounts	989	1,276	1,634	362	436	1,619	2,996
Loans and notes	—	—	—	—	—	—	—
Due from Federal government and other grantors	872	7,785	5,014	594	2,534	2,556	3,443
Due from primary government	—	1,312	—	332	1,195	—	2,072
Inventories	1,739	631	254	—	326	—	356
Restricted assets:							
Cash and cash equivalents	14,205	120,861	86,974	10,664	14,790	11,160	14,540
Investments	139,375	7,748	81,737	20,226	—	112	42,565
Loans receivable	716	1,174	1,962	1,660	1,482	3,266	2,404
Other	883	—	—	—	—	—	—
Prepaid items	1,043	1,076	4,276	856	491	805	1,306
Other assets	975	1,475	1,011	1,436	248	—	—
Capital assets-nondepreciable	6,499	66,560	62,618	4,818	13,261	2,573	5,738
Capital assets-depreciable, net	121,533	326,232	301,675	80,479	62,706	122,042	114,435
Total assets	454,343	608,524	608,130	151,517	131,891	148,681	206,888
DEFERRED OUTFLOWS OF RESOURCES							
Unamortized loss on refunding	—	634	455	—	—	—	725
Total deferred outflows of resources	—	634	455	—	—	—	725
LIABILITIES							
Accounts payable	6,893	8,123	10,507	992	1,110	12,415	1,808
Accrued salaries and related expenses	2,172	10,363	8,411	265	695	1,540	5,934
Accrued interest payable	558	2,087	1,812	478	191	951	734
Retainages payable	23	8	245	—	76	94	—
Prizes payable	—	—	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—
Due to primary government	—	—	—	46	—	5,933	41
Unearned revenues and deferred credits	3,419	83,994	5,125	487	3,168	2,262	1,385
Deposits	2,595	—	1,862	—	280	177	6,762
Amounts held in custody for others	4,499	211	396	2,891	50	77	164
Securities lending collateral	40	190	85	16	34	15	42
Liabilities payable from restricted assets	—	—	—	—	—	—	2,928
Other liabilities	3,664	4,072	2,978	1,509	2,197	3,026	2,384
Long-term liabilities:							
Due within one year	6,498	5,964	9,970	2,463	4,076	5,302	8,407
Due in more than one year	31,315	247,256	179,273	31,473	41,008	65,398	62,673
Total liabilities	61,676	362,268	220,664	40,620	52,885	97,190	93,262
DEFERRED INFLOWS OF RESOURCES							
Deferred nonexchange revenues	340	333	—	—	—	—	5
Total deferred inflows of resources	340	333	—	—	—	—	5
NET POSITION							
Net investment in capital assets	92,992	299,582	189,665	53,614	45,713	57,272	56,616
Restricted:							
Expendable:							
Education	86,014	—	16,361	12,496	12,111	3,563	5,394
Transportation	—	—	—	—	—	—	—
Capital projects	5,038	44,136	56,243	11,496	1,783	2,659	—
Debt service	909	4,191	6,172	—	22	4,360	1,009
Loan programs	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Nonexpendable:							
Education	88,481	100	71,587	13,401	4,296	765	40,822
Unrestricted	118,893	(101,452)	47,893	19,890	15,081	(17,128)	10,505
Total net position	**$ 392,327**	**$ 246,557**	**$ 387,921**	**$ 110,897**	**$ 79,006**	**$ 51,491**	**$ 114,346**

Exhibit G-1

Aiken Technical College	Central Carolina Technical College	Denmark Technical College	Florence-Darlington Technical College	Greenville Technical College	Horry-Georgetown Technical College	Technical College of the Lowcountry	Midlands Technical College	Northeastern Technical College	Orangeburg-Calhoun Technical College	Piedmont Technical College
$ 15,000	$ 10,764	$ 4,131	$ 9,863	$ 44,864	$ 13,871	$ 8,526	$ 24,831	$ 2,784	$ 10,544	$ 22,035
496	2,236	—	—	5,235	26,655	—	59,920	—	1,147	3,396
—	—	—	—	—	—	—	3	—	—	—
—	—	422	329	213	—	113	1	—	144	10
405	—	—	—	386	—	—	—	—	—	73
14	—	—	—	23	130	9	—	—	14	—
554	273	486	1,558	342	3,773	3,055	2,893	946	143	523
—	—	—	—	9	32	312	—	—	—	—
930	1,093	2,580	2,175	2,197	4,276	1,309	651	112	1,091	535
—	—	—	—	—	110	270	—	—	460	481
380	377	38	1,571	3,202	—	189	1,212	97	112	—
19	30	—	10,038	1,252	126	5	5,774	251	—	—
4,662	247	—	—	—	—	—	—	—	—	796
—	—	25	345	—	—	—	—	—	—	—
—	—	—	—	24,862	—	—	945	16	—	—
139	52	—	304	26	205	40	293	—	33	55
—	13	—	—	2,877	—	—	—	—	4	—
1,428	2,052	174	1,910	19,038	10,640	3,283	6,056	662	106	2,051
20,239	27,632	3,902	43,470	107,667	52,040	13,833	72,496	8,240	14,803	29,307
44,266	44,769	11,758	71,563	212,193	111,858	30,944	175,075	13,108	28,601	59,262
—	—	—	—	312	—	—	—	—	—	—
—	—	—	—	312	—	—	—	—	—	—
586	299	204	1,599	1,427	1,447	117	1,959	—	477	387
105	449	156	315	1,149	1,125	12	1,687	118	243	407
—	33	—	287	473	—	16	417	—	—	—
—	4	—	—	—	80	—	30	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	172	—	—	5	—	—
1,041	6,413	531	1,764	5,975	4,404	3,549	5,337	462	772	1,723
—	—	—	—	—	—	—	162	—	—	18
—	27	393	103	770	922	6	437	40	—	—
—	—	—	—	—	—	—	10	—	—	—
5	—	—	—	—	—	—	—	—	—	—
—	—	25	420	1,612	—	7	—	—	—	27
55	368	39	935	5,604	99	148	1,578	68	84	629
565	2,519	436	19,097	84,234	1,621	1,773	29,788	357	1,058	1,280
2,357	10,112	1,784	24,520	101,244	9,870	5,628	41,405	1,050	2,634	4,471
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
21,667	27,704	4,076	26,930	65,553	62,673	16,010	52,498	8,902	14,909	30,963
4,919	395	—	45	1,710	160	14	—	40	—	1,079
—	—	—	—	—	—	—	—	—	—	—
1,857	620	—	—	7,675	—	—	65,337	212	—	9,682
—	—	—	9,993	—	—	—	8,745	—	—	—
—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—
1,108	250	—	—	4,975	—	—	—	—	—	796
12,358	5,688	5,898	10,075	31,348	39,155	9,292	7,090	2,904	11,058	12,271
$ 41,909	**$ 34,657**	**$ 9,974**	**$ 47,043**	**$ 111,261**	**$ 101,988**	**$ 25,316**	**$ 133,670**	**$ 12,058**	**$ 25,967**	**$ 54,791**

Continued on Next Page

Combining Statement of Net Position (Continued)

NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

June 30, 2014
(Expressed in Thousands)

	Spartanburg Community College	Tri-county Technical College	Trident Technical College	Williamsburg Technical College	York Technical College	Connector 2000	Education Assistance Authority
ASSETS							
Cash and cash equivalents	$ 20,807	$ 36,928	$ 44,203	$ 7,474	$ 21,243	$ 947	$ 95,028
Investments	6,589	—	—	—	5,489	—	—
Invested securities lending collateral	—	—	—	—	—	—	—
Receivables, net:							
Accounts	302	—	1,196	—	61	—	43,657
Contributions	510	250	—	—	—	—	—
Accrued interest	26	61	—	1	—	—	399
Student accounts	603	1,256	4,889	168	1,065	—	—
Loans and notes	1,746	—	—	—	—	—	84,757
Due from Federal government and other grantors	546	2,083	2,874	345	4,531	—	—
Due from primary government	251	823	1,167	176	442	—	—
Inventories	533	601	1,345	58	—	329	—
Restricted assets:							
Cash and cash equivalents	1,211	—	—	5	—	6,694	3,754
Investments	—	20,448	—	—	—	—	—
Loans receivable	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
Prepaid items	473	947	83	12	10	38	5
Other assets	305	35	—	—	—	134,339	—
Capital assets-nondepreciable	5,803	4,695	16,269	127	2,949	—	—
Capital assets-depreciable, net	53,632	37,198	91,265	502	21,974	308	149
Total assets	93,337	105,325	163,291	8,868	57,764	142,655	227,749
DEFERRED INFLOWS OF RESOURCES							
Unamortized loss on refunding	—	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—	—
LIABILITIES							
Accounts payable	483	1,260	1,281	76	742	141	19,069
Accrued salaries and related expenses	1,046	83	1,257	198	978	—	—
Accrued interest payable	152	—	82	—	—	—	—
Retainages payable	—	—	920	—	—	—	—
Prizes payable	—	—	—	—	—	—	—
Intergovernmental payables	—	—	—	—	—	—	—
Due to primary government	400	—	427	—	164	—	204
Unearned revenues and deferred credits	1,641	4,958	5,390	1,329	2,572	263	—
Deposits	—	—	—	—	—	17	—
Amounts held in custody for others	—	—	200	—	3	—	—
Securities lending collateral	—	—	—	—	—	—	—
Liabilities payable from restricted assets	—	—	—	—	—	—	695
Other liabilities	—	—	150	—	—	—	2,552
Long-term liabilities:							
Due within one year	352	526	1,359	17	131	3,848	335
Due in more than one year	19,351	6,155	13,274	298	1,275	169,777	55,963
Total liabilities	23,425	12,982	24,340	1,918	5,865	174,046	78,818
DEFERRED INFLOWS OF RESOURCES							
Deferred nonexchange revenues	—	—	—	—	—	—	—
Total deferred inflows of resources	—	—	—	—	—	—	—
NET POSITION							
Net investment in capital assets	41,269	36,523	96,176	629	24,923	308	149
Restricted:							
Expendable:							
Education	7,960	8,266	—	—	—	—	—
Transportation	—	—	—	—	—	745	—
Capital projects	6,090	26,737	14,035	—	—	—	—
Debt service	(21)	—	—	—	—	—	7,783
Loan programs	—	—	—	—	—	—	55,683
Other	—	—	—	—	—	—	—
Nonexpendable:							
Education	—	12,838	—	5	—	—	—
Unrestricted	14,614	7,979	28,740	6,316	26,976	(32,444)	85,316
Total net position	**$ 69,912**	**$ 92,343**	**$ 138,951**	**$ 6,950**	**$ 51,899**	**$ (31,391)**	**$ 148,931**

Exhibit G-1

Jobs-Economic Development Authority	Lottery Commission	Patriots Point Development Authority	South Carolina Medical Malpractice Liability Joint Underwriting Association	South Carolina First Steps to School Readiness Board of Trustees	Children's Trust Fund of S.C., Inc.	Totals
$ 716	$ 18,159	$ 5,866	$ 4,375	$ 5,237	$ 879	$ 640,497
1,450	—	—	33,016	—	1,095	279,621
—	—	3	—	3	—	151
2,670	41,819	434	1,212	—	—	105,259
—	—	—	—	—	—	28,622
26	—	—	302	—	—	1,846
—	—	—	—	—	—	31,839
—	—	—	—	—	—	86,856
—	—	—	—	340	326	50,792
—	—	—	—	—	—	9,091
—	2,219	9	—	—	—	15,578
104	493	—	—	—	—	302,950
—	—	—	—	—	—	317,916
—	—	—	—	—	—	13,034
—	—	—	—	—	—	26,706
—	—	289	—	—	96	12,953
—	6,298	—	1,069	—	—	150,085
—	—	4,511	—	—	—	243,821
—	815	17,879	—	748	20	1,747,221
4,966	69,803	28,991	39,974	6,328	2,416	4,064,838
—	—	—	—	—	—	2,126
—	—	—	—	—	—	2,126
4	1,388	98	454	221	287	75,854
—	—	407	—	—	—	39,115
—	—	—	—	—	—	8,271
—	—	—	—	—	—	1,480
—	26,647	—	—	—	—	26,647
—	—	—	—	301	130	431
—	38,092	8,992	—	1,200	—	55,676
104	566	1,249	8,978	—	208	159,069
—	—	—	—	—	—	11,873
—	—	—	73	—	—	11,262
—	—	9	—	10	—	451
—	—	—	—	—	—	3,628
—	1,096	—	—	39	48	25,806
—	492	23	17,000	222	—	76,592
31	213	399	75,175	197	25	1,143,257
139	68,494	11,177	101,680	2,190	698	1,639,412
—	—	—	—	—	—	678
—	—	—	—	—	—	678
—	815	13,690	—	748	20	1,342,589
—	—	—	—	4,004	—	164,531
—	—	—	—	—	—	745
—	—	—	—	—	—	253,600
—	—	—	—	—	—	43,163
—	—	—	—	—	—	55,683
—	493	—	2,208	—	—	2,701
—	—	—	—	—	—	239,424
4,827	1	4,124	(63,914)	(614)	1,698	324,438
$ 4,827	**$ 1,309**	**$ 17,814**	**$ (61,706)**	**$ 4,138**	**$ 1,718**	**$ 2,426,874**

Combining Statement of Activities

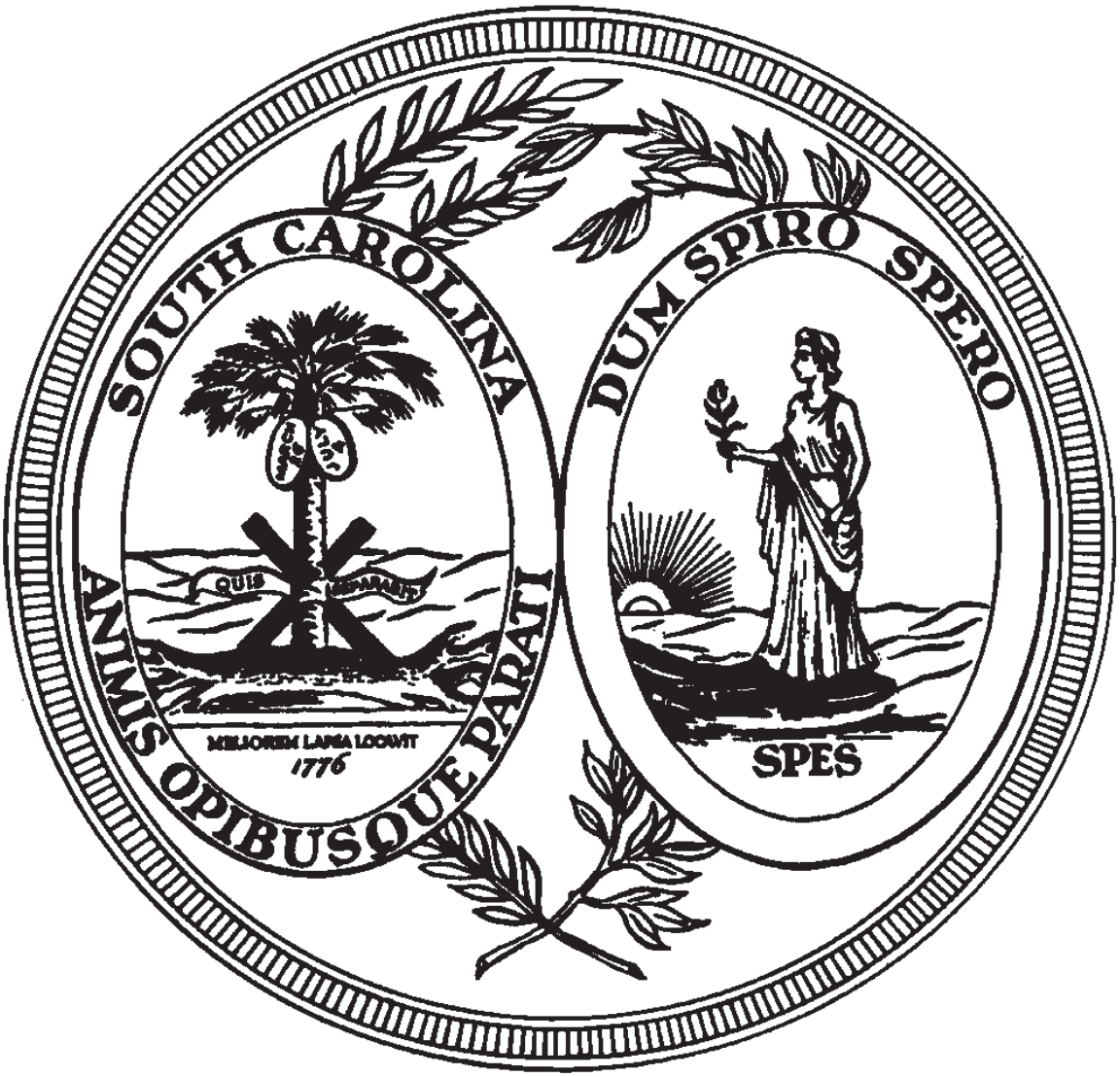
NONMAJOR DISCRETELY PRESENTED COMPONENT UNITS

For the Fiscal Year Ended June 30, 2014
(Expressed in Thousands)

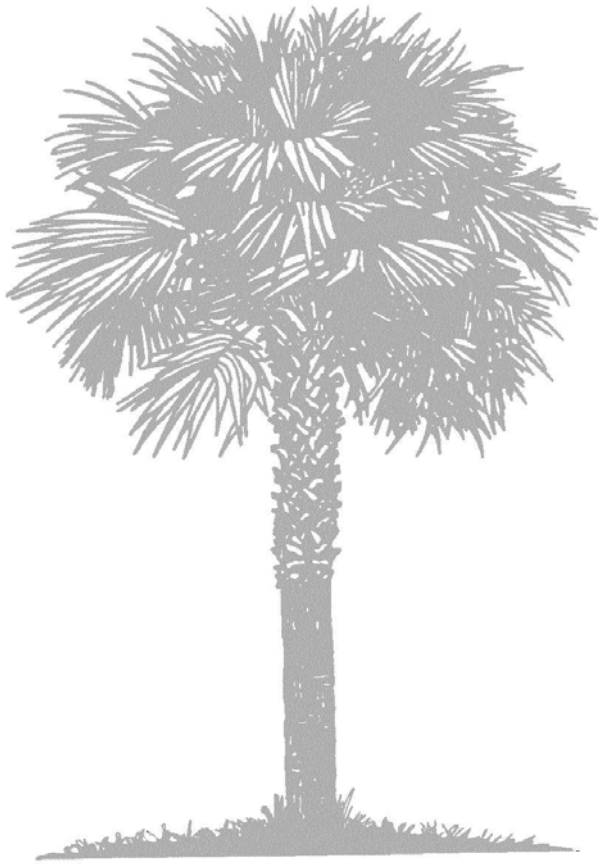
		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net Revenue (Expenses)
The Citadel	$ 109,249	$ 78,940	$ 62,808	$ 3,632	$ 36,131
Coastal Carolina University	178,762	147,882	32,431	20,289	21,840
College of Charleston	254,789	215,440	50,689	5,554	16,894
Francis Marion University	69,296	37,978	27,412	14,349	10,443
Lander University	50,772	34,853	17,774	750	2,605
South Carolina State University	105,524	63,849	31,345	161	(10,169)
Winthrop University	121,952	93,303	31,687	1,319	4,357
Aiken Technical College	22,183	10,007	13,210	400	1,434
Central Carolina Technical College	33,662	13,946	17,982	659	(1,075)
Denmark Technical College	18,963	15,311	2,773	850	(29)
Florence- Darlington Technical College	58,677	26,300	33,092	194	909
Greenville Technical College	114,209	60,912	59,411	2,572	8,686
Horry- Georgetown Technical College	57,954	27,726	30,774	5,846	6,392
Technical College of the Lowcountry	21,110	9,868	11,662	60	480
Midlands Technical College	106,947	55,378	49,948	2,827	1,206
Northeastern Technical College	9,989	3,327	6,364	37	(261)
Orangeburg- Calhoun Techncial College	25,080	8,637	15,986	31	(426)
Piedmont Technical College	44,096	19,370	27,865	1,409	4,548
Spartanburg Community College	47,981	21,736	27,191	3,846	4,792
Tri-county Technical College	55,389	33,087	25,582	1,480	4,760
Trident Technical College	142,932	68,935	67,754	8,640	2,397
Williamsburg Technical College	6,769	2,208	4,531	118	88
York Technical College	41,438	18,927	22,597	1,814	1,900
Connector 2000	17,540	7,105	—	—	(10,435)
Education Assistance Authority	12,851	17,876	4	—	5,029
Jobs- Economic Development Authority	534	865	—	—	331
Lottery Commission	1,268,071	1,268,126	2	—	57
Patriots Point Development Authority	10,756	10,516	88	400	248
South Carolina Medical Malpractice Liability Joint Underwriting Association	6,737	17,517	34	—	10,814
South Carolina First Steps to School Readiness Board of Trustees	33,100	—	35,407	—	2,307
Children's Trust Fund of S.C., Inc.	4,357	—	4,511	—	154
Totals	**$ 3,051,669**	**$ 2,389,925**	**$ 710,914**	**$ 77,237**	**$ 126,407**

Exhibit G-2

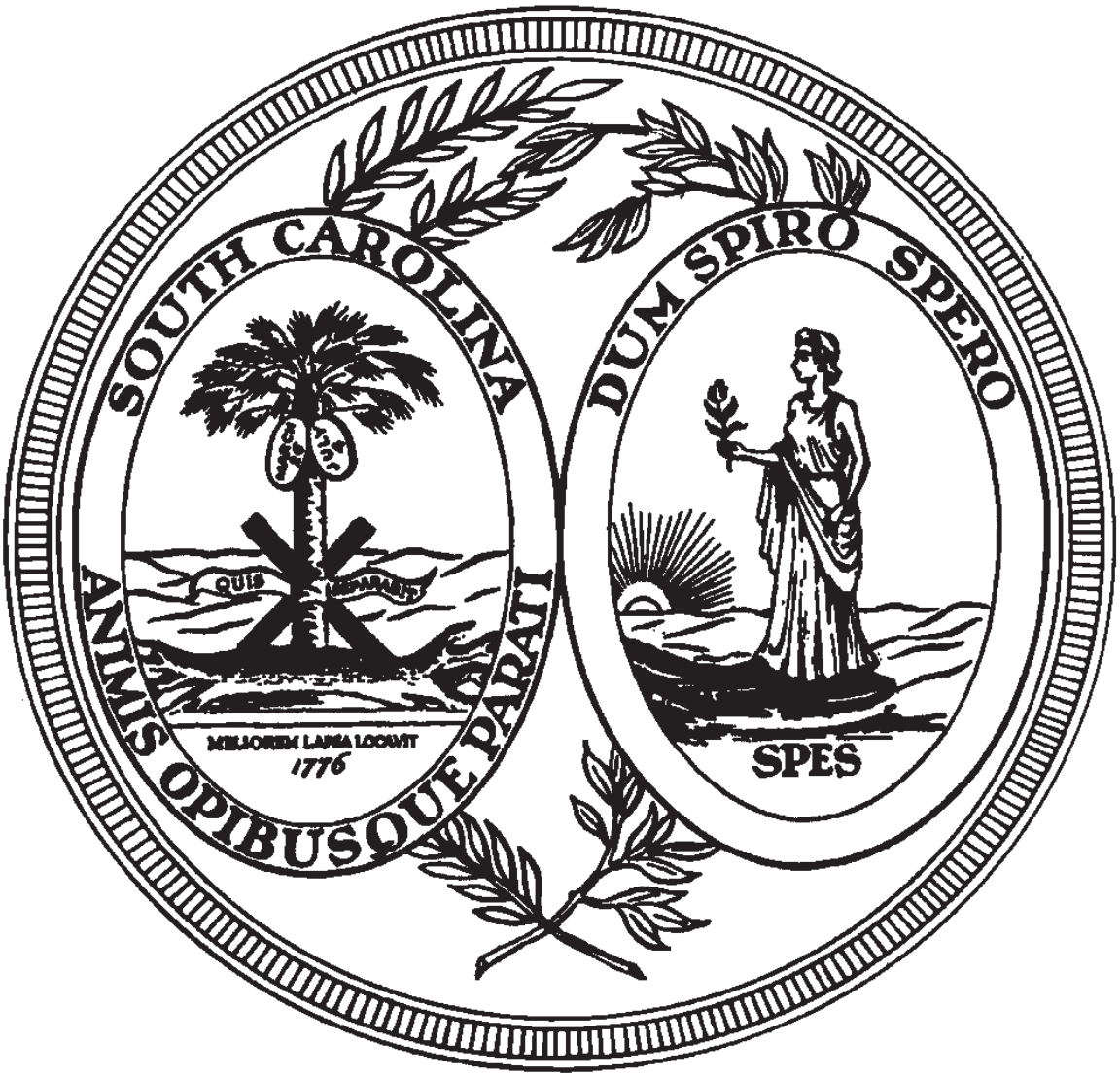
Additions to Endowments	Net Position (Deficit) Beginning (Restated)	Net Position (Deficit) Ending
$ 2,904	$ 353,292	$ 392,327
—	224,717	246,557
1,056	369,971	387,921
231	100,223	110,897
55	76,346	79,006
—	61,660	51,491
3,258	106,731	114,346
1	40,474	41,909
—	35,732	34,657
—	10,003	9,974
—	46,134	47,043
587	101,988	111,261
—	95,596	101,988
—	24,836	25,316
—	132,464	133,670
—	12,319	12,058
—	26,393	25,967
—	50,243	54,791
818	64,302	69,912
751	86,832	92,343
—	136,554	138,951
—	6,862	6,950
—	49,999	51,899
—	(20,956)	(31,391)
—	143,902	148,931
—	4,496	4,827
—	1,252	1,309
—	17,566	17,814
—	(72,520)	(61,706)
—	1,831	4,138
—	1,564	1,718
$ 9,661	**$ 2,290,806**	**$ 2,426,874**


SOUTH CAROLINA
ANIMIS OPIBUSQUE PARATI
DUM SPIRO SPERO
QUIS SEPARABIT
MEMORIEM LAUDA LOCAVIT
1776
SPES

Statistical Section (Unaudited)



This section presents certain economic and social data and financial trends over a ten-year period.


SOUTH CAROLINA
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DUM SPIRO SPERO
QUIS SEPARABIT
MEMORIAM LAURIA LOCAVIT
1776
SPES

Statistical Section

This section of the Comprehensive Annual Financial Report provides additional information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the State of South Carolina's overall financial health.

CONTENTS

Page

Financial Trends 214

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time.

Revenue Capacity 224

These schedules contain information to help the reader assess the State's most significant revenue sources, the personal income tax and the retail sales tax.

Debt Capacity 230

These schedules present information to help the reader assess the affordability of the State's current levels of outstanding debt and the State's ability to issue additional debt in the future.

Demographic and Economic Information 239

These schedules offer demographic and economic indicators to help the reader understand the environment within which the State's financial activities take place.

Operating Information 244

These schedules contain service and capital asset data to help the reader understand how the information in the State's financial report relates to the services the State provides and the activities it performs.

SOURCES

Unless otherwise noted, the information in these schedules is derived from the State's Comprehensive Annual Financial Report for the relevant fiscal year.

Net Position by Component

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
Governmental activities				
Net Investment in capital assets.....	$ 11,892,515	$ 11,455,604	$ 11,251,603	$ 10,766,855
Restricted.....	5,488,629	5,323,431	3,158,419	3,273,224
Unrestricted.....	797,580	326,353	1,760,245	759,206
Total governmental activities net position.....	**$ 18,178,724**	**$ 17,105,388**	**$ 16,170,267**	**$ 14,799,285**
Business-type activities				
Net Investment in capital assets.....	$ 124,223	$ 72,497	$ 2,742,733	$ 2,628,292
Restricted.....	185,732	56	1,438,402	1,443,470
Unrestricted.....	(409,329)	(541,375)	974,730	707,961
Total business-type activities net position.....	**$ (99,374)**	**$ (468,822)**	**$ 5,155,865**	**$ 4,779,723**
Primary government				
Net Investment in capital assets.....	$ 12,016,738	$ 11,528,101	$ 13,994,336	$ 13,395,147
Restricted.....	5,674,361	5,323,487	4,596,821	4,716,694
Unrestricted.....	388,251	(215,022)	2,734,975	1,467,167
Total primary government net position.....	**$ 18,079,350**	**$ 16,636,566**	**$ 21,326,132**	**$ 19,579,008**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 1

Ended June 30 2010	2009	2008	2007	2006	2005
$ 10,966,666	$ 10,276,019	$ 10,044,439	$ 9,728,397	$ 9,386,248	$ 8,880,082
3,202,747	3,351,417	3,597,084	3,498,173	3,089,099	2,735,158
(371,761)	(161,946)	46,185	603,503	445,362	(172,175)
$ 13,797,652	**$ 13,465,490**	**$ 13,687,708**	**$ 13,830,073**	**$ 12,920,709**	**$ 11,443,065**
$ 2,539,652	$ 2,429,521	$ 2,315,357	$ 2,133,862	$ 1,973,060	$ 1,778,072
1,225,352	1,123,060	1,381,777	1,406,468	1,253,359	1,232,819
322,575	399,730	646,266	594,033	442,758	360,037
$ 4,087,579	**$ 3,952,311**	**$ 4,343,400**	**$ 4,134,363**	**$ 3,669,177**	**$ 3,370,928**
$ 13,506,318	$ 12,705,540	$ 12,359,796	$ 11,862,259	$ 11,359,308	$ 10,658,154
4,428,099	4,474,377	4,978,861	4,904,641	4,342,458	3,967,977
(49,186)	237,784	692,451	1,197,536	888,120	187,862
$ 17,885,231	**$ 17,417,701**	**$ 18,031,108**	**$ 17,964,436**	**$ 16,589,886**	**$ 14,813,993**

Changes in Net Position

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
Expenses				
Governmental activities:				
General government	$ 5,377,689	$ 5,303,836	$ 4,685,050	$ 4,462,454
Education	4,250,632	4,243,187	4,163,313	4,004,703
Health and environment	7,071,800	6,403,284	5,778,883	6,584,487
Social services	1,977,904	2,087,077	2,066,923	1,900,026
Administration of justice	830,536	719,891	658,925	746,462
Resources and economic development	334,898	281,763	207,810	221,075
Transportation	1,159,917	931,980	1,194,222	1,203,952
Intergovernmental [a]	—	—	—	—
Unallocated interest expense	36,896	44,451	87,929	90,848
Total governmental activities expenses	**21,040,272**	**20,015,469**	**18,843,055**	**19,214,007**
Business-type activities:				
Higher education	—	—	3,844,159	3,684,769
Higher education institution support	—	—	1,359,870	1,321,213
Unemployment compensation benefits	342,741	616,064	1,066,105	2,171,063
Second injury fund benefits	2,547	52,656	1,564	1,648
Financing of housing facilities	—	—	197,555	272,880
Medical malpractice insurance	—	—	9,705	2,591
Financing of student loans	—	—	15,336	21,847
Tuition prepayment program	—	—	737	4,750
State maritime museum	—	—	9,883	8,614
Insurance claims processing	—	—	1,830	1,648
Other	35,194	54,061	27,753	23,630
Total business-type activities expenses	**380,482**	**722,781**	**6,534,497**	**7,514,653**
Total primary government expenses	**21,420,754**	**20,738,250**	**25,377,552**	**26,728,660**
Program Revenues				
Governmental activities:				
Charges for services:				
General government	2,426,885	2,327,752	2,039,415	1,929,867
Other activities	790,717	551,319	584,966	533,342
Operating grants and contributions	7,661,223	7,328,281	7,366,197	8,118,411
Capital grants and contributions	806,657	716,702	646,148	615,292
Total governmental activities program revenues	**11,685,482**	**10,924,054**	**10,636,726**	**11,196,912**
Business-type activities:				
Charges for services:				
Higher education	—	—	2,688,543	2,579,679
Higher education institution support	—	—	1,376,960	1,363,957
Unemployment compensation benefits	507,907	467,256	438,115	2,298,971
Second injury fund benefits	60,043	1,520	1,560	1,473
Other activities	45,815	42,790	133,133	133,195
Operating grants and contributions	90,107	323,321	1,553,432	1,115,603
Capital grants and contributions	210	3	84,654	94,893
Total business-type activities program revenues	**704,082**	**834,890**	**6,276,397**	**7,587,771**
Total primary government activities program revenues	**12,389,564**	**11,758,944**	**16,913,123**	**18,784,683**
Net Revenues (Expenses)				
Governmental activities	(9,354,790)	(9,091,415)	(8,206,329)	(8,017,095)
Business-type activities	323,600	112,109	(258,100)	73,118
Total primary government net revenues (expense)	**(9,031,190)**	**(8,979,306)**	**(8,464,429)**	**(7,943,977)**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Table 2

Ended June 30

2010	2009	2008	2007	2006	2005
$ 4,475,571	$ 4,331,740	$ 4,521,252	$ 3,430,569	$ 2,642,678	$ 1,725,343
4,400,125	4,109,666	4,401,108	4,078,954	2,452,623	1,280,791
6,007,179	5,825,749	5,209,149	4,897,060	6,025,626	4,767,155
1,847,028	1,533,666	1,300,347	1,152,324	1,347,522	992,960
760,379	774,533	789,071	742,064	873,911	629,185
351,882	372,073	407,392	367,727	272,777	197,351
1,179,611	940,226	941,924	1,018,800	1,166,910	664,125
—	—	—	—	—	3,848,454
81,838	98,728	102,825	108,401	100,109	67,705
19,103,613	**17,986,381**	**17,673,068**	**15,795,899**	**14,882,156**	**14,173,069**
3,520,564	3,396,191	3,405,491	3,120,278	2,871,493	2,679,238
1,252,222	1,200,456	1,121,483	965,686	881,583	800,151
2,026,866	1,332,402	449,775	390,087	365,091	366,820
1,720	1,699	1,677	1,553	1,536	1,655
238,191	180,555	174,152	158,031	150,626	147,021
2,324	(6,724)	13,259	24,809	52,598	47,432
36,694	52,699	77,249	61,537	61,472	43,567
910	10,598	(5,844)	8,100	38,849	26,653
9,300	8,622	7,848	7,061	6,911	6,638
1,720	1,699	1,677	1,553	1,536	1,655
23,843	28,935	25,937	25,905	22,636	27,400
7,114,354	**6,207,132**	**5,272,704**	**4,764,600**	**4,454,331**	**4,148,230**
26,217,967	**24,193,513**	**22,945,772**	**20,560,499**	**19,336,487**	**18,321,299**
1,945,319	1,654,616	1,694,147	1,617,400	1,530,670	1,390,695
411,485	463,801	466,621	453,957	472,511	425,896
8,274,731	7,045,052	6,313,817	5,848,554	5,773,902	6,052,454
570,743	382,979	333,255	503,633	621,512	650,384
11,202,278	**9,546,448**	**8,807,840**	**8,423,544**	**8,398,595**	**8,519,429**
2,377,719	2,454,076	2,337,123	2,116,206	2,000,940	1,858,869
1,314,062	1,201,181	1,075,408	984,723	905,000	833,452
1,575,257	791,037	343,104	339,715	333,423	309,975
1,645	2,091	1,673	1,548	1,540	1,657
154,051	189,406	206,113	173,689	176,324	171,522
1,042,850	409,628	438,376	577,625	478,462	419,672
99,239	50,718	45,553	85,259	72,684	53,509
6,564,823	**5,098,137**	**4,447,350**	**4,278,765**	**3,968,373**	**3,648,656**
17,767,101	**14,644,585**	**13,255,190**	**12,702,309**	**12,366,968**	**12,168,085**
(7,901,335)	(8,439,933)	(8,865,228)	(7,372,355)	(6,483,561)	(5,653,640)
(549,531)	(1,108,995)	(825,354)	(485,835)	(485,958)	(499,574)
(8,450,866)	**(9,548,928)**	**(9,690,582)**	**(7,858,190)**	**(6,969,519)**	**(6,153,214)**

Continued on Next Page

Changes in Net Position (Continued)

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes:				
Individual income	$ 3,422,532	$ 3,479,143	$ 3,101,861	$ 2,880,504
Retail sales and use	4,178,102	3,988,918	4,148,010	3,969,218
Corporate income	327,809	386,847	N/A	N/A
Gas and motor vehicle	636,216	557,209	N/A	N/A
Insurance	138,037	139,240	N/A	N/A
Hospital	262,962	263,435	N/A	N/A
Other	601,692	568,040	2,000,124	1,835,036
Unrestricted grants and contributions	1	159	93,970	223,959
Unrestricted investment income	115,150	66,152	77,729	15,097
Tobacco legal settlement	109,113	73,326	74,122	69,808
Other revenues	684,412	587,729	509,742	571,998
Special and extraordinary items	—	—	—	—
Transfers	(47,900)	(60,968)	(640,774)	(546,892)
Total governmental activities	**10,428,126**	**10,049,230**	**9,364,784**	**9,018,728**
Business-type activities:				
Unrestricted investment income	26,107	8,632	6,953	—
Other revenues	204	85	62	—
Additions to endowments	—	—	20,171	36,945
Gain on early extinguishment of debt	—	—	119	35,189
Special and extraordinary items	—	—	—	—
Transfers	47,900	60,968	640,774	546,892
Total business-type activities	**74,211**	**69,685**	**668,079**	**619,026**
Total primary government	**10,502,337**	**10,118,915**	**10,032,863**	**9,637,754**
Change in Net Position				
Governmental activities	1,073,336	957,815	1,158,455	1,001,633
Business-type activities	397,811	181,794	409,979	692,144
Total primary government	**$ 1,471,147**	**$ 1,139,609**	**$ 1,568,434**	**$ 1,693,777**

[a] Beginning with the fiscal year ended June 30, 2006, intergovernmental expenses are no longer reported as a function in the government-wide statements.

Note: Certain fiscal year data has been restated for consistency.

Source: South Carolina Comptroller General's Office

Table 2

Ended June 30

2010	2009	2008	2007	2006	2005
$ 2,659,728	$ 2,805,998	$ 3,341,265	$ 3,349,358	$ 3,156,028	$ 2,762,538
3,855,095	3,908,318	4,236,156	3,803,732	3,613,754	3,221,466
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A	N/A
1,616,347	1,682,300	1,838,101	1,787,974	1,753,214	1,469,701
205,965	23,896	19,279	15,642	18,664	26,391
41,555	86,639	156,974	134,196	69,438	32,628
68,709	95,115	83,494	79,912	67,841	73,231
433,166	301,321	57,256	61,926	67,012	71,090
—	—	5,611	—	—	—
(653,389)	(685,972)	(1,015,273)	(951,021)	(784,746)	(714,238)
8,227,176	**8,217,615**	**8,722,863**	**8,281,719**	**7,961,205**	**6,942,807**
—	—	—	—	—	—
—	—	—	—	—	—
30,480	31,934	19,118	—	—	—
—	—	—	—	—	—
—	—	—	—	(539)	(556)
653,389	685,972	1,015,273	951,021	784,746	714,238
683,869	**717,906**	**1,034,391**	**951,021**	**784,207**	**713,682**
8,911,045	**8,935,521**	**9,757,254**	**9,232,740**	**8,745,412**	**7,656,489**
325,841	(222,318)	(142,365)	909,364	1,477,644	1,289,167
134,338	(391,089)	209,037	465,186	298,249	214,108
$ 460,179	**$ (613,407)**	**$ 66,672**	**$ 1,374,550**	**$ 1,775,893**	**$ 1,503,275**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category. Prior year amounts have not been restated.

Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
General Fund				
Reserved [1]	$ —	$ —	$ —	$ —
Non-spendable	68,128	67,717	67,842	86,993
Restricted	359,073	337,687	1,335	1,077
Committed	967,245	650,545	384,252	582,085
Assigned	444,630	996,539	495,878	349,619
Unassigned, previously unreserved	1,083,959	489,197	944,742	478,756
Total General Fund	**2,923,035**	**2,541,685**	**1,894,049**	**1,498,530**
All other governmental funds				
Reserved [1]	—	—	—	—
Non-spendable	775,675	771,168	795,761	790,205
Restricted	2,624,909	2,045,302	2,330,297	2,297,364
Committed	346,688	166,205	145,613	127,220
Assigned	5,387	156,918	132,045	104,298
Special revenue funds	a	a	a	a
Capital projects fund	a	a	a	a
Permanent funds	a	a	a	a
Unassigned, previously unreserved	(747,381)	(366,066)	(635,940)	(1,000,102)
Total all other governmental funds	**3,005,278**	**2,773,527**	**2,767,776**	**2,318,985**
Total fund balances, governmental funds	**$5,928,313**	**$5,315,212**	**$4,661,825**	**$3,817,515**

Note: Certain fiscal year data has been restated for consistency.
Balances were not restated for GASB 54 effects in this presentation.

[1] Reserved Fund Balance is not reported after implementation of GASB Statement No. 54 in fiscal 2010-2011.
a Information detailed in presentation changed in fiscal 2010-2011 with the implementation of GASB 54.

Source: South Carolina Comptroller General's Office

Table 3

Ended June 30

2010	2009	2008	2007	2006	2005
$ 184,645	$ 231,201	$ 341,773	$ 413,157	$ 280,169	$ 142,662
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
(36,290)	(125,972)	(9,977)	679,780	833,676	345,437
148,355	**105,229**	**331,796**	**1,092,937**	**1,113,845**	**488,099**
2,167,253	2,124,977	2,077,825	2,153,086	2,027,383	1,942,261
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
a	a	a	a	a	a
726,389	806,524	1,258,938	1,454,483	614,501	1,224,530
362,097	248,130	234,123	240,134	307,633	183,763
1,473	1,502	1,209	1,070	496,290	983
1,089,959	1,056,156	1,494,270	1,695,687	1,418,424	1,409,276
3,257,212	**3,181,133**	**3,572,095**	**3,848,773**	**3,445,807**	**3,351,537**
$3,405,567	**$3,286,362**	**$3,903,891**	**$4,941,710**	**$4,559,652**	**$3,839,636**

Changes in Fund Balances

GOVERNMENTAL FUNDS

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
Revenues				
Taxes:				
Individual income	$ 3,422,532	$ 3,480,213	$ 3,114,888	$ 2,898,388
Retail sales and use	4,178,102	4,268,274	4,148,009	3,969,218
Corporate Income	327,809	386,847	n/a	n/a
Gas and motor vehicle	636,216	557,209	n/a	n/a
Insurance	138,037	139,240	n/a	n/a
Hospital	262,962	263,435	n/a	n/a
Other	601,692	591,992	2,046,220	1,753,388
Licenses, fees, and permits	543,558	500,684	474,826	511,818
Interest and other investment income	95,733	43,936	140,384	81,772
Federal	7,812,816	7,464,240	7,615,387	8,404,416
Local and private grants	57,589	51,766	54,098	55,466
State grants	—	—	—	—
Departmental services	950,754	776,895	989,677	625,124
Contributions	433,931	390,124	371,989	437,570
Fines and penalties	146,722	131,236	115,161	122,790
Tobacco legal settlement	109,113	73,326	74,122	69,808
Other	741,857	587,574	672,398	572,361
Total revenues	**20,459,423**	**19,706,991**	**19,817,159**	**19,502,119**
Expenditures				
Current:				
General government	784,515	738,335	700,179	690,566
Education	948,137	993,174	946,054	809,161
Health and environment	7,323,555	6,646,790	6,397,669	6,867,229
Social services	1,978,585	2,075,475	2,056,782	1,878,099
Administration of justice	798,031	698,055	720,769	681,808
Resources and economic development	203,833	138,793	189,366	173,047
Transportation	692,243	731,793	835,064	867,372
Capital outlay	702,651	454,053	400,354	568,225
Debt service:				
Principal retirement	270,081	270,223	324,456	313,261
Interest and fiscal charges	183,008	201,304	217,890	205,811
Intergovernmental	6,043,436	5,763,966	5,602,752	5,705,721
Total expenditures	**19,928,075**	**18,711,961**	**18,391,335**	**18,760,300**
Excess of revenues over (under) expenditures	**531,348**	**995,030**	**1,425,824**	**741,819**
Other financing sources (uses)				
Refunding bonds issued	86,575	424,910	398,665	676,115
Bonds and notes issued	100,235	—	810	205,507
Accrued interest on refunding bonds issued	—	—	—	—
Premiums on bonds issued	30,389	53,560	47,398	37,581
Discounts on bonds issued	—	—	—	(5,314)
Capital leases	7,466	—	230	166
Receipts from swap counter-parties	—	—	—	—
Payment of termination fee to swap counter-party	—	—	—	—
Payments to refunded bond escrow agent	(101,062)	(476,620)	(422,456)	(528,423)
Redemption of refunded bonds	—	—	(19,834)	(184,087)
Transfers in	808,132	431,827	167,133	311,010
Transfers out	(849,982)	(484,200)	(820,960)	(849,777)
Total other financing sources (uses)	**81,753**	**(50,523)**	**(649,014)**	**(337,222)**
Net change in fund balances	**$ 613,101**	**$ 944,507**	**$ 776,810**	**$ 404,597**
Debt service as a percentage of noncapital expenditures	**2.4%**	**2.6%**	**3.0%**	**2.9%**

Table 4

Ended June 30

2010	2009	2008	2007	2006	2005
$ 2,658,700	$ 2,828,668	$ 3,360,054	$ 3,337,312	$ 3,127,734	$ 2,765,012
3,855,095	3,908,318	4,254,318	3,805,628	3,631,350	3,225,931
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
1,586,023	1,653,678	1,810,088	1,762,708	1,740,273	1,437,920
468,758	502,811	522,131	519,707	493,527	462,186
172,561	225,837	315,962	273,949	157,015	122,958
8,475,813	6,801,787	6,015,003	5,770,911	5,949,905	5,975,208
40,287	50,523	52,347	9,715	11,448	9,924
—	—	—	—	65	3,469
232,079	746,106	747,419	638,441	727,251	640,350
434,832	379,042	331,689	373,238	406,031	681,174
163,389	120,705	121,359	113,340	111,480	107,197
68,709	95,115	83,493	79,912	67,841	73,231
446,384	376,747	129,096	126,857	98,457	84,203
18,602,630	**17,689,337**	**17,742,959**	**16,811,718**	**16,522,377**	**15,588,763**
711,761	752,983	824,171	857,359	633,822	613,314
820,352	811,215	872,898	811,465	752,980	680,676
5,963,035	6,219,832	5,564,099	5,243,672	5,143,590	5,129,240
1,831,650	1,529,925	1,271,986	1,143,967	1,048,720	999,624
686,975	716,476	751,182	698,429	637,444	582,748
163,858	205,489	256,526	231,468	198,445	179,635
902,784	655,964	715,538	742,299	779,985	629,430
470,201	384,197	220,744	342,857	623,365	607,683
713,643	353,204	789,639	264,967	250,785	243,050
200,409	220,309	341,027	254,938	257,609	252,889
6,109,264	5,869,496	6,178,735	5,113,092	4,985,632	4,678,620
18,573,932	**17,719,090**	**17,786,545**	**15,704,513**	**15,312,377**	**14,596,909**
28,698	**(29,753)**	**(43,586)**	**1,107,205**	**1,210,000**	**991,854**
388,450	—	275,730	102,015	221,045	448,160
301,672	91,521	—	306,991	289,475	303,820
—	—	957	—	—	—
49,600	4,541	—	9,456	22,222	41,225
(87)	—	(8,249)	(8)	—	—
—	19	513	—	250	700
—	—	7,599	—	—	—
—	—	(7,599)	—	—	—
—	—	(251,180)	(118,350)	(241,235)	(332,801)
—	—	—	—	—	—
735,715	759,447	1,099,105	384,755	488,833	205,963
(1,383,899)	(1,443,304)	(2,111,109)	(1,410,006)	(1,270,574)	(915,263)
91,451	**(587,776)**	**(994,233)**	**(725,147)**	**(489,984)**	**(248,196)**
$ 120,149	**$ (617,529)**	**$ (1,037,819)**	**$ 382,058**	**$ 720,016**	**$ 743,658**
5.0%	**3.3%**	**6.5%**	**3.4%**	**3.5%**	**3.6%**

Personal Income by Industry

Last Ten Calendar Years
(expressed in millions)

Sources	Calendar Year 2013	2012	2011
Farm earnings	$ 667	$ 569	$ 323
Agricultural services, forestry, fishing, and other	401	361	351
Mining	100	103	99
Construction	6,330	5,829	5,539
Manufacturing	15,979	15,486	14,912
Transportation and public utilities	4,610	4,420	4,279
Wholesale trade	5,092	4,958	4,734
Retail trade	8,356	7,970	7,873
Finance, insurance, and real estate	9,546	7,634	7,427
Services	39,778	38,257	36,929
Federal government, civilian	2,975	2,941	2,870
Military	3,632	3,700	3,601
State and local government	17,679	17,856	17,418
Other [a]	55,943	55,511	53,390
Total personal income	**$ 171,088**	**$165,595**	**$ 159,745**
Average effective rate [b]	[c]	1.9%	1.8%

[a] Includes dividends, interest, rental income, residence adjustment, government transfers to individuals, and deductions for social insurance.

[b] The total direct tax rate for personal income is not available. Average effective rate equals total personal income tax liability divided by total personal income.

[c] Information not yet available.

Information has been updated when modifications are provided by the Federal Government Sources.

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Table 5

2010	2009	2008	2007	2006	2005	2004
$ 421	$ 493	$ 494	$ 292	$ 458	$ 646	$ 643
347	313	321	340	348	319	331
87	80	110	95	100	95	92
5,606	6,054	7,064	7,754	7,684	6,868	6,486
13,692	13,461	15,061	14,980	14,666	14,433	14,273
4,040	3,937	4,151	4,145	4,055	3,745	3,586
4,452	4,456	4,954	4,804	4,529	4,072	3,685
7,592	7,493	7,865	8,054	7,822	7,437	7,150
8,075	8,302	7,436	6,813	6,658	6,106	5,715
34,672	33,214	33,879	32,358	30,446	28,240	26,649
2,799	2,610	2,502	2,350	2,219	2,134	2,023
3,589	3,540	3,302	3,048	2,877	2,792	2,616
16,611	16,728	16,559	15,628	14,722	13,708	12,904
49,553	47,920	46,469	43,108	39,091	34,753	31,993
$ 151,536	**$ 148,601**	**$ 150,167**	**$ 143,769**	**$ 135,675**	**$ 125,348**	**$ 118,146**
1.8%	1.8%	1.9%	2.1%	2.2%	2.2%	2.1%

Taxable Sales by Industry

Last Ten Fiscal Years
(expressed in millions)

Sources	For the Fiscal Year 2014 [b]	2013 [b]	2012 [b]	2011 [b]
Retail trade	$ 42,828	$ 40,817	$ 32,435	$ 31,293
Services	10,957	10,443	15,923	14,990
Transportation, communication, and utilities	4,724	4,502	2,139	2,125
Wholesale trade	2,751	2,621	1,988	2,041
Other	1,502	1,432	925	933
Total taxable sales	**$ 62,762**	**$ 59,815**	**$ 53,410**	**$ 51,382**

Percent Distribution of Taxable Sales by Industry

Last Ten Fiscal Years

Sources	For the Fiscal Year 2014	2013	2012	2011
Retail trade	68.2%	68.2%	60.7%	60.9%
Services	17.5%	17.5%	29.8%	29.2%
Transportation, communication, and utilities	7.5%	7.5%	4.0%	4.1%
Wholesale trade	4.4%	4.4%	3.7%	4.0%
Other	2.4%	2.4%	1.8%	1.8%
Total taxable sales	**100.0%**	**100.0%**	**100.0%**	**100.0%**
Sales tax rate [a]	**6.0%**	**6.0%**	**6.0%**	**6.0%**

[a] Excludes the 2% accommodations tax and the local option sales tax; includes the 4% retail sales tax (5% beginning June 1, 2007) and 1% Education Improvement Act sales tax.

[b] Effective 2011 the Department of Revenue ceased collection of data using SIC with a change to NAICS coding.

Note: Due to confidentiality issues, the names of the ten largest sales tax revenue payers are not presented. The categories presented are intended to provide alternative information regarding the sources of the State's sales tax revenues.

Source: South Carolina Department of Revenue

Table 6

Ended June 30

2010	2009	2008	2007	2006	2005
$ 37,132	$ 38,129	$ 44,061	$ 47,331	$ 44,258	$ 41,133
4,976	5,189	5,754	5,426	5,172	4,747
5,403	5,292	5,229	5,041	4,682	4,175
2,338	2,519	2,869	2,851	3,466	3,173
1,276	1,539	1,748	1,935	1,781	1,390
$ 51,125	**$ 52,668**	**$ 59,661**	**$ 62,584**	**$ 59,359**	**$ 54,618**

Table 7

Ended June 30

2010	2009	2008	2007	2006	2005
72.6%	72.4%	73.9%	75.6%	74.6%	75.3%
9.7%	9.9%	9.6%	8.7%	8.7%	8.7%
10.6%	10.0%	8.8%	8.1%	7.9%	7.6%
4.6%	4.8%	4.8%	4.6%	5.8%	5.8%
2.5%	2.9%	2.9%	3.0%	3.0%	2.6%
100.0%	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**
6.0%	**6.0%**	**6.0%**	**6.0%**	**5.0%**	**5.0%**

Personal Income Tax Rates

Table 8

Last Ten Calendar Years

Tax Year	Tax Rates	Number of Brackets	Income Brackets		Average Effective Rate[a]
			Low	High	
2013	0.0% - 7.0%	6	2,850	14,250	b
2012	0.0% - 7.0%	6	2,800	14,000	1.9%
2011	0.0% – 7.0%	6	2,760	13,800	1.8%
2010	0.0% – 7.0%	6	2,740	13,700	1.8%
2009	0.0% – 7.0%	6	2,740	13,700	1.8%
2008	0.0% – 7.0%	6	2,670	13,350	1.9%
2007	0.0% – 7.0%	6	2,630	13,150	2.1%
2006	2.5% – 7.0%	6	2,570	12,850	2.2%
2005	2.5% – 7.0%	6	2,530	12,650	2.2%
2004	2.5% – 7.0%	6	2,500	12,500	2.1%

[a] The total direct tax rate for personal income is not presented. Average effective rate equals total personal income tax liability divided by total personal income.

[b] Not yet available.

Note: The legislature can raise the sales or income tax rates by legislation; no vote of the populace is required. The State's personal income tax brackets are adjusted each year for inflation.

Source: South Carolina Department of Revenue

Personal Income Tax Filers and Liability by Income Level

Table 9

Calendar Years 2012 and 2003
(dollars, except income level, expressed in thousands)

2012 [a]

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	96,587	4.6%	$ 1,323,989	42.8%
$75,001 - $100,000	70,889	3.4%	367,851	11.9%
$50,001 - $75,000	143,506	6.8%	510,916	16.5%
$25,001 - $50,000	299,134	14.2%	577,362	18.7%
$10,001 - $25,000	349,115	16.5%	241,087	7.8%
$10,000 and lower	1,141,360	54.5%	70,889	2.3%
Total	**2,100,591**	**100.0%**	**$ 3,092,094**	**100.0%**

2003

State Taxable Income Level	Number of Filers	Percentage of Total	Personal Income Tax Liability	Percentage of Total
$100,001 and higher	52,534	2.9%	$ 747,428	32.6%
$75,001 - $100,000	44,383	2.4%	231,993	10.1%
$50,001 - $75,000	118,742	6.5%	425,157	18.5%
$25,001 - $50,000	283,011	15.5%	563,620	24.6%
$10,001 - $25,000	358,385	19.7%	276,092	12.0%
$10,000 and lower	972,574	53.0%	50,103	2.2%
Total	**1,829,629**	**100.0%**	**$ 2,294,393**	**100.0%**

[a] Information for 2013 not yet available.

Note: Due to confidentiality issues, the names of the largest personal income tax payers are not available. The categories presented are intended to provide alternative information regarding the sources of the State's individual income tax revenues.

Source: South Carolina Department of Revenue

Ratios of Outstanding Debt by Type

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
Governmental Activities				
General obligation bonds	$1,320,532	$1,376,697	$1,571,957	$1,756,397
Limited obligation bonds	919	2,408	3,822	5,161
Tobacco Authority bonds	—	—	—	63,161
Infrastructure Bank bonds	2,016,518	2,003,486	2,074,308	2,135,772
Revenue bonds	21,072	24,318	27,424	30,400
Notes payable	18,265	27,126	41,430	50,172
Capital leases	6,004	349	318	261
Total governmental activities	3,383,310	3,434,384	3,719,259	4,041,324
Business-Type Activities				
Revenue bonds	6,210	6,360	—	—
Total business-type activities	6,210	6,360	—	—
Total primary government	**$3,389,520**	**$3,440,744**	**$3,719,259**	**$4,041,324**
Debt as a percentage of personal income	[a]	2.0%	2.2%	2.5%
Debt per capita expressed in actual dollars	[a]	$ 721	$ 787	$ 865

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's

Table 10

Ended June 30 2010	2009	2008	2007	2006	2005
$1,950,048	$1,857,510	$2,016,952	$2,214,865	$2,405,119	$2,298,253
6,435	7,629	9,352	10,985	15,291	19,392
120,653	176,180	242,891	769,755	796,900	820,905
2,051,545	2,091,864	2,125,640	2,162,973	1,917,706	1,947,393
33,251	35,982	38,598	41,044	22,169	23,521
60,944	35,820	20,362	15,622	21,021	10,311
242	404	672	939	1,894	2,856
4,223,118	4,205,389	4,454,467	5,216,183	5,180,100	5,122,631
—	—	—	—	—	—
—	—	—	—	—	—
$4,223,118	**$4,205,389**	**$4,454,467**	**$5,216,183**	**$5,180,100**	**$5,122,631**
2.8%	2.8%	3.0%	3.6%	3.8%	4.1%
$ 911	$ 922	$ 989	$ 1,179	$ 1,194	$ 1,204

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years
(expressed in thousands unless otherwise indicated)

	For the Fiscal Year			
	2014	**2013**	**2012**	**2011**
Governmental Activities				
Capital improvement bonds	$ 148,642	$ 191,926	$ 243,248	$ 294,497
State highway bonds	358,484	390,046	433,266	470,125
State school facilities bonds	143,868	204,120	264,245	321,243
Infrastructure Bank bonds	44,533	44,052	45,953	48,055
State economic development bonds	436,379	356,623	377,809	398,026
Research university infrastructure bonds	149,609	147,989	162,626	176,817
Air carrier hub terminal facilities bonds	39,017	41,941	44,810	47,634
Total governmental activities	1,320,532	1,376,697	1,571,957	1,756,397
Total primary government	**$ 1,320,532**	**$ 1,376,697**	**$ 1,571,957**	**$ 1,756,397**
Debt as a percentage of personal income	[a]	0.8%	0.9%	1.1%
Debt per capita expressed in actual dollars	[a]	$ 288	$ 333	$ 376

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

[a] Not yet available.

Source: South Carolina Comptroller General's Office

Table 11

Ended June 30 2010	2009	2008	2007	2006	2005
$ 355,264	$ 424,080	$ 514,410	$ 603,762	$ 693,815	$ 801,626
510,365	548,278	622,145	663,582	699,669	725,434
375,742	427,355	476,498	523,305	567,873	611,126
50,026	51,921	53,742	55,491	57,171	58,785
417,633	206,371	217,449	227,992	238,109	101,282
190,594	199,505	132,708	140,733	148,482	—
50,424	—	—	—	—	—
1,950,048	1,857,510	2,016,952	2,214,865	2,405,119	2,298,253
$ 1,950,048	**$ 1,857,510**	**$ 2,016,952**	**$ 2,214,865**	**$ 2,405,119**	**$ 2,298,253**
1.3%	1.2%	1.3%	1.5%	1.8%	1.8%
$ 421	$ 407	$ 448	$ 501	$ 554	$ 540

Computation of Legal Debt Margin

June 30, 2014
(Expressed in Thousands)

Section 57-11-240 of the South Carolina Code of Laws and Article X, Section 13 of the South Carolina Constitution state that highway bonds may be issued if such bonds are additionally secured by a pledge of revenues designated by the General Assembly for State highway purposes from taxes or licenses imposed for using the public highways of the State. The maximum annual debt service on all highway bonds shall not exceed fifteen percent of the proceeds received from the designated revenues for the fiscal year next preceding.

Section 11-51-50 of the South Carolina Code of Laws states that the issuance of general obligation bonds of the State must be limited so that the maximum annual debt service on all general obligation bonds of the State (excluding highway bonds, State institution bonds, tax anticipation notes, and bond anticipation notes) may not exceed six percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-41-60 states that the maximum annual debt service on economic development bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

Section 11-51-50 also states that the maximum annual debt service on research university infrastructure bonds may not exceed one-half of one percent of the general revenues of the State for the fiscal year next preceding (excluding revenues which are authorized to be pledged for state highway bonds and state institution bonds).

HIGHWAY BONDS		
2012-2013 Budgetary General Fund revenues pledged for highway bonds	$	9,639
2012-2013 other revenues pledged for highway bonds		612,453
2012-2013 revenues pledged for highway bonds		622,092
15% of 2012-2013 revenues pledged for highway bonds		93,314
Less: maximum annual debt service for highway bonds [a]		57,365
Legal debt service margin at June 30, 2014--highway bonds	**$**	**35,949**
GENERAL OBLIGATION BONDS (EXCLUDING INSTITUTION BONDS, HIGHWAY BONDS, AND ANTICIPATION NOTES)[d]		
2012-2013 Budgetary General Fund revenues	$	6,389,576
Less: 2012-2013 Budgetary General Fund revenues pledged for highway bonds [b]		9,639
2012-2013 net Budgetary General Fund revenues		6,379,937
6% of 2012-2013 net Budgetary General Fund revenues		382,796
Less: maximum annual debt service for general obligation bonds excluding institution and highway bonds and bond anticipation notes [c]		175,354
Legal debt service margin at June 30, 2014--general obligation bonds excluding institution and highway bonds and bond anticipation notes	**$**	**207,442**

Table 12

ECONOMIC DEVELOPMENT BONDS[e]		
2012-2013 Budgetary General Fund revenues	$	6,389,576
Less: 2012-2013 Budgetary General Fund revenues pledged for highway bonds[b]		9,639
2012-2013 net Budgetary General Fund revenues		6,379,937
0.5% of 2012-2013 net Budgetary General Fund revenues		31,900
Less: maximum annual debt service for research university infrastructure bonds[a]		24,493
Legal debt service margin at June 30, 2014--economic development bonds	**$**	**7,407**
RESEARCH UNIVERSITY INFRASTRUCTURE BONDS		
2012-2013 Budgetary General Fund revenues	$	6,389,576
Less: 2012-2013 Budgetary General Fund revenues pledged for highway bonds[b]		9,639
2012-2013 net Budgetary General Fund revenues		6,379,937
0.5% of 2012-2013 net Budgetary General Fund revenues		31,900
Less: maximum annual debt service for research university infrastructure bonds[a]		21,663
Legal debt service margin at June 30, 2014--research university infrastructure bonds	**$**	**10,237**

[a] As of June 30, 2014, the maximum annual debt service will occur in the fiscal year ending June 30, 2015.

[b] For the fiscal year ended June 30, 2014, there were no net Budgetary General Fund revenues pledged for State institution bonds and anticipation notes.

[c] As of June 30, 2014, the maximum annual debt service will occur in the fiscal year ending June 30, 2015.

[d] During the fiscal year ended June 30, 2010, the State issued $50 million of Air Carrier Hub Terminal Facilities bonds under the provisions of Section 55-11-520 of the South Carolina Code of Laws. Section 55-11-520(A) states that no more than $50 million of Air Carrier Hub Terminal Facilities bonds may be outstanding at any time.

[e] During the fiscal year ended June 30, 2010, the State issued $170 million of Economic Development bonds and during the fiscal year ended June 30, 2014, the State issued an additional $85 million of Economic Development bonds which, based on the provisions of Section 11-41-60 of the South Carolina Code of Laws, are not subject to the limitation on maximum annual debt service. This $170 million and $85 million bond issues have been excluded from the debt service limit calculations.

Source: South Carolina Comptroller General's Office

Legal Debt Margin Information

Last Ten Fiscal Years
(expressed in thousands)

	For the Fiscal Year			
	2014	2013	2012	2011
State Highway Bonds				
Debt service limitation	$ 93,314	$ 95,326	$ 95,525	$ 93,729
Debt service applicable to limit	57,365	57,717	58,390	58,831
Legal debt margin at June 30	**$ 35,949**	**$ 37,609**	**$ 37,135**	**$ 34,898**
Legal debt margin as a percentage of debt service limitation	**38.5%**	**39.5%**	**38.9%**	**37.2%**
General Obligation Bonds excluding Institution and Highway Bonds and Bond Anticipation Notes				
Debt service limitation	$ 382,796	$ 350,844	$ 337,073	$ 313,772
Debt service applicable to limit	175,354	173,992	180,387	183,438
Legal debt margin at June 30	**$ 207,442**	**$ 176,852**	**$ 156,686**	**$ 130,334**
Legal debt margin as a percentage of debt service limitation	**54.2%**	**50.4%**	**46.5%**	**41.5%**
Economic Development Bonds				
Debt service limitation	$ 31,900	$ 29,237	$ 28,089	$ 26,148
Debt service applicable to limit	24,493	24,521	24,521	24,655
Legal debt margin at June 30	**$ 7,407**	**$ 4,716**	**$ 3,568**	**$ 1,493**
Legal debt margin as a percentage of debt service limitation	**23.2%**	**16.1%**	**12.7%**	**5.7%**
Research University Infrastructure Bonds				
Debt service limitation	$ 31,900	$ 29,237	$ 28,089	$ 26,148
Debt service applicable to limit	21,663	20,452	20,624	20,820
Legal debt margin at June 30	**$ 10,237**	**$ 8,785**	**$ 7,465**	**$ 5,328**
Legal debt margin as a percentage of debt service limitation	**32.1%**	**30.0%**	**26.6%**	**20.4%**

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Source: South Carolina Comptroller General's Office

Table 13

Ended June 30					
2010	**2009**	**2008**	**2007**	**2006**	**2005**
$ 93,382	$ 98,037	$ 101,853	$ 96,128	$ 90,101	$ 87,988
60,997	64,078	71,766	71,766	71,766	71,766
$ 32,385	**$ 33,959**	**$ 30,087**	**$ 24,362**	**$ 18,335**	**$ 16,222**
34.7%	**34.6%**	**29.5%**	**25.3%**	**20.3%**	**18.4%**
$ 331,738	$ 382,086	$ 397,558	$ 370,495	$ 332,122	$ 278,531
199,556	198,074	221,525	225,409	230,124	226,157
$ 132,182	**$ 184,012**	**$ 176,033**	**$ 145,086**	**$ 101,998**	**$ 52,374**
39.8%	**48.2%**	**44.3%**	**39.2%**	**30.7%**	**18.8%**
$ 27,645	$ 31,841	$ 33,130	$ 30,875	$ 27,677	$ 25,321
24,655	21,229	21,229	21,284	21,342	9,632
$ 2,990	**$ 10,612**	**$ 11,901**	**$ 9,591**	**$ 6,335**	**$ 15,689**
10.8%	**33.3%**	**35.9%**	**31.1%**	**22.9%**	**62.0%**
$ 27,645	$ 31,841	$ 33,130	$ 30,875	$ 27,677	$ —
21,019	21,019	13,777	13,882	13,980	—
$ 6,626	**$ 10,822**	**$ 19,353**	**$ 16,993**	**$ 13,697**	**$ —**
24.0%	**34.0%**	**58.4%**	**55.0%**	**49.5%**	**—**

Pledged Revenue Coverage

Table 14

Last Ten Fiscal Years
(expressed in thousands)

Fiscal Year Ended June 30	Revenue Available for Debt Service	Debt Service Requirements			Coverage Ratio
		Principal	Interest	Total	
Budget and Control Board—Revenue Bonds					
2014	$ 2,385	$ 1,870	$ 515	$ 2,385	1.00
2013	2,384	1,780	604	2,384	1.00
2012	2,384	1,695	689	2,384	1.00
2011	2,382	1,620	762	2,382	1.00
2010	2,371	1,540	831	2,371	1.00
2009	2,367	1,470	897	2,367	1.00
2008	2,324	1,385	939	2,324	1.00
2007	2,298	1,320	978	2,298	1.00
2006	2,276	1,260	1,016	2,276	1.00
2005	2,242	1,190	1,052	2,242	1.00
Infrastructure Bank Bonds					
2014	$ 208,256	$ 71,550	$ 92,522	$ 164,072	1.27
2013	212,078	60,730	95,789	156,519	1.35
2012	217,883	54,410	103,703	158,113	1.38
2011	246,542	48,418	96,606	145,024	1.70
2010	213,689	46,275	99,624	145,899	1.46
2009	207,747	40,750	99,446	140,196	1.48
2008	194,969	44,355	103,541	147,896	1.32
2007	195,754	41,070	90,284	131,354	1.49
2006	166,443	37,940	93,409	131,349	1.27
Tobacco Settlement Revenue Management Authority Bonds					
2014	$ 109,113	$ —	$ —	$ —	N/A
2013	73,326	—	—	—	N/A
2012	74,122	71,700	3,585	75,285	0.98
2011	69,808	65,265	3,585	68,850	1.01
2010	68,709	63,035	10,000	73,035	0.94
2009	95,115	75,730	13,787	89,517	1.06
2008	83,493	390,735	48,540	439,275	0.19
2007	79,912	—	50,761	50,761	1.57
2006	67,841	—	52,601	52,601	1.29
2005	73,232	—	54,496	54,496	1.34

For fiscal year 2012-13, the State implemented GASB Statement No. 61 (GASB 61). The implementation resulted in reclassification of state universities, state technical colleges and other state-related entities from the primary government category to the component units category.

Demographic Statistics

Table 15

Last Ten Calendar Years

Year	Population at July 1 [a]	Per Capita Income [b]	Average Annual Unemployment Rate [c]
2013	4,774,839	$ 35,831	7.8%
2012	4,723,723	35,056	9.4%
2011	4,673,348	34,182	10.3%
2010	4,635,835	32,688	11.2%
2009	4,561,242	32,579	11.7%
2008	4,503,280	33,346	6.9%
2007	4,424,232	32,496	5.6%
2006	4,339,399	31,266	6.4%
2005	4,256,199	29,451	6.8%
2004	4,201,306	28,121	6.8%

[a] Source: U.S. Census Bureau

[b] Per capita income is calculated by dividing total personal income by population.
Information has been updated when modifications are provided by the Federal Government Sources.

[c] Source: U.S. Department of Labor

Employment by Industry

Table 16

Latest Completed Calendar Year and Nine Years Prior

Sources	2013 Number of Employees	2013 Percent of Total	2004 Number of Employees	2004 Percent of Total
Contract construction	80,200	4.2%	114,400	6.3%
Manufacturing:				
Durable goods	129,800	6.8%	133,700	7.3%
Nondurable goods	95,200	5.0%	133,300	7.3%
Transportation, communication, and public utilities	64,500	3.4%	62,400	3.4%
Wholesale and retail trade:				
Wholesale	66,400	3.5%	65,600	3.6%
Retail	230,700	12.2%	227,100	12.4%
Information	26,400	1.4%	26,800	1.5%
Finance, insurance and real estate	95,600	5.0%	88,500	4.8%
Services and mining	756,200	39.9%	652,300	35.6%
Government:				
Federal	32,600	1.7%	28,200	1.5%
State and local	319,100	16.9%	297,800	16.3%
Total wage and salary employment	**1,896,700**	**100.0%**	**1,830,100**	**100.0%**

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Department of Employment and Workforce

Ten Largest Employers

Table 17

Latest Completed Calendar Year and Nine Years Prior
(Listed alphabetically)

2013	2004
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	U.S. Department of Defense
U.S. Department of Defense	Greenville Hospital System
Greenville Hospital System	Michelin North America, Inc.
Michelin North America, Inc.	Palmetto Health Alliance, Inc.
Palmetto Health Alliance, Inc.	Greenville County School District
Greenville County School District	University of South Carolina
University of South Carolina	U.S. Postal Service
U.S. Postal Service	Wal-Mart Associates, Inc.
Wal-Mart Associates, Inc.	Washington Savannah River Company

Note: Due to confidentiality issues, the number of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Department of Employment and Workforce

Government Employees by Function

Last Ten Fiscal Years

Function	Permanent Employees			
	2014 [a]	2013 [a]	2012	2011
General government	6,023	5,748	5,927	5,915
Education	2,773	2,717	2,726	2,772
Higher education	—	—	29,518	28,547
Health and environment	9,683	9,675	9,875	10,399
Social services	3,294	3,222	3,150	3,235
Administration of justice	9,205	9,261	9,295	9,442
Resources and economic development	1,525	1,477	1,410	1,437
Transportation	4,291	4,417	4,471	4,536
Other	56	66	300	307
Totals	**36,850**	**36,583**	**66,672**	**66,590**

[a] Beginning with fiscal year 2012-2013, the following entities are reported as discretely presented component units rather than as part of the primary government: Higher education institutions, Housing Authority, Education Assistance Authority, Jobs-Economic Development Authority, and Patriots Point Development Authority.

Source: South Carolina Comptroller General's Office

Table 18

as of June 30					
2010	**2009**	**2008**	**2007**	**2006**	**2005**
6,108	6,307	6,532	6,457	6,267	6,195
2,968	2,990	3,084	3,014	2,922	3,053
28,414	28,271	26,972	26,095	27,185	26,569
10,998	11,487	12,286	12,237	12,461	13,010
3,689	3,990	3,998	3,904	3,627	3,618
9,631	9,954	10,280	10,098	9,747	9,417
1,675	1,738	1,856	1,818	1,776	1,746
5,006	5,050	5,065	4,880	4,794	5,002
314	317	313	314	306	313
68,803	**70,104**	**70,386**	**68,817**	**69,085**	**68,923**

Operating Indicators by Function

Last Ten Fiscal Years

	For the Fiscal Year			
	2014 [a]	2013 [a]	2012	2011
General government				
Individual income tax returns processed	2,514,090	2,444,843	2,406,252	2,482,647
Corporate income tax returns processed	209,677	208,208	194,680	197,608
Department of Motor Vehicles transactions	12,767,033	11,541,043	10,522,707	9,898,064 [b]
Workers' compensation cases reviewed	63,541	53,683	44,327	43,464
Education				
Public school enrollment	742,325	731,679	719,201	714,421
Average operating miles per school bus	14,862	16,041	15,048	15,950
State Museum visitors	127,943	143,199	185,124	136,346
Health and environment				
Medicaid eligible participants	1,242,657	1,162,210	1,069,195	1,019,508
Women, Infant and Children (WIC) participants	112,131	125,368	130,646	130,097
Community mental health center clients	86,652	89,510	83,880	85,244 [b]
Social services				
Average food stamp households per month	403,281	415,475	444,268	384,936
Child Protective Services investigations	14,606	11,924	15,803	17,763
Administration of justice				
Adult prison average daily population	21,581	22,152	22,776	23,358
Juvenile facility average daily population	523	508	532	635
Resources and economic development				
Dept of Commerce capital investment projects	127	151	149	172
Welcome Center visitors	2,001,594	2,046,582	2,158,943	2,023,488
Hunting and fishing licenses processed	937,099	938,736	965,598	996,890
Watercraft registrations	460,300	462,926	450,935	442,057
Transportation				
Miles of surface repair	166,174	150,859	137,479	150,590
Miles of roadway inspections	354,953	341,907	325,930	361,226
Higher education and support				
Total headcount enrollment	n/a	n/a	208,302	205,080
Degrees awarded	n/a	n/a	38,545	35,958
Unemployment compensation benefits				
Initial claims	225,420	264,447	278,714	310,528
Total benefit weeks claimed	1,365,992	1,787,530	2,402,387	2,992,594
Financing of housing facilities				
Mortgage loans serviced	n/a	n/a	15,977	15,740
Families receiving rental assistance	n/a	n/a	19,886	19,918
Medical malpractice insurance				
Membership total	3,311	3,020	3,374	3,570
Financing of student loans				
Number of student loans outstanding	n/a	n/a	482,691	537,090
Tuition prepayment program				
Individual accounts	5,758	5,841	5,935	6,052
State maritime museum				
Museum visitors and other area patrons	n/a	n/a	273,283	270,802
Insurance claims processing				
Second Injury Fund claims paid	1,964	2,190	3,312	3,224
Other				
Public railway carloads (calendar year)	122,475	105,775	88,746	66,618

[a] Beginning with fiscal year 2012-2013, Higher education institutions, Housing Authority, Education Assistance Authority, and Patriots Point Development Authority are not part of the primary government.

[b] Processing changes resulted in evaluation differences for service monitoring.

Source: South Carolina Comptroller General's Office

Table 19

Ended June 30

2010	2009	2008	2007	2006	2005
2,379,693	2,393,919	2,421,786	2,273,202	2,172,409	2,112,766
183,224	185,200	166,237	164,855	155,228	156,784
11,989,686	12,430,183	13,234,198	13,331,078	13,474,463	12,670,522
53,407	63,493	77,961	82,603	127,848	111,869
712,240	707,739	701,749	698,290	694,155	680,635
15,795	15,600	15,651	16,000	15,685	15,600
156,810	154,487	131,731	141,202	145,845	148,752
975,275	934,090	903,397	902,308	932,708	983,981
133,942	134,618	124,033	112,467	107,413	108,341
88,726	88,999	87,762	87,641	89,480	90,733
346,807	287,867	248,314	231,053	225,456	216,602
18,805	17,621	18,560	18,168	16,898	17,186
24,105	24,081	23,958	23,437	22,964	22,970
739	858	910	985	1,043	1,074
161	190	179	139	137	105
2,323,877	2,123,161	2,281,295	2,378,630	2,454,311	2,525,294
958,014	840,956	839,696	811,025	781,882	704,882
429,233	429,532	430,377	433,158	415,993	396,915
178,084	162,938	158,512	167,551	163,829	173,620
448,492	401,426	342,981	332,559	313,530	270,024
200,204	187,253	180,479	176,415	174,686	172,386
27,705	26,835	26,237	26,063	25,622	24,826
386,818	545,137	292,661	304,464	299,975	313,629
4,331,564	4,206,476	1,964,982	1,998,836	1,930,718	2,129,960
15,813	16,789	16,379	14,400	12,068	10,703
19,931	19,955	20,100	20,129	20,872	20,478
4,230	4,568	5,466	6,320	7,050	7,166
371,205	386,748	189,292	351,024	323,536	332,794
6,135	6,239	6,315	6,388	6,452	6,262
268,965	264,244	264,326	259,425	260,827	240,811
3,118	3,404	3,661	3,951	3,860	4,520
64,554	92,136	95,521	82,036	88,245	88,242

Capital Assets by Function

Last Ten Fiscal Years

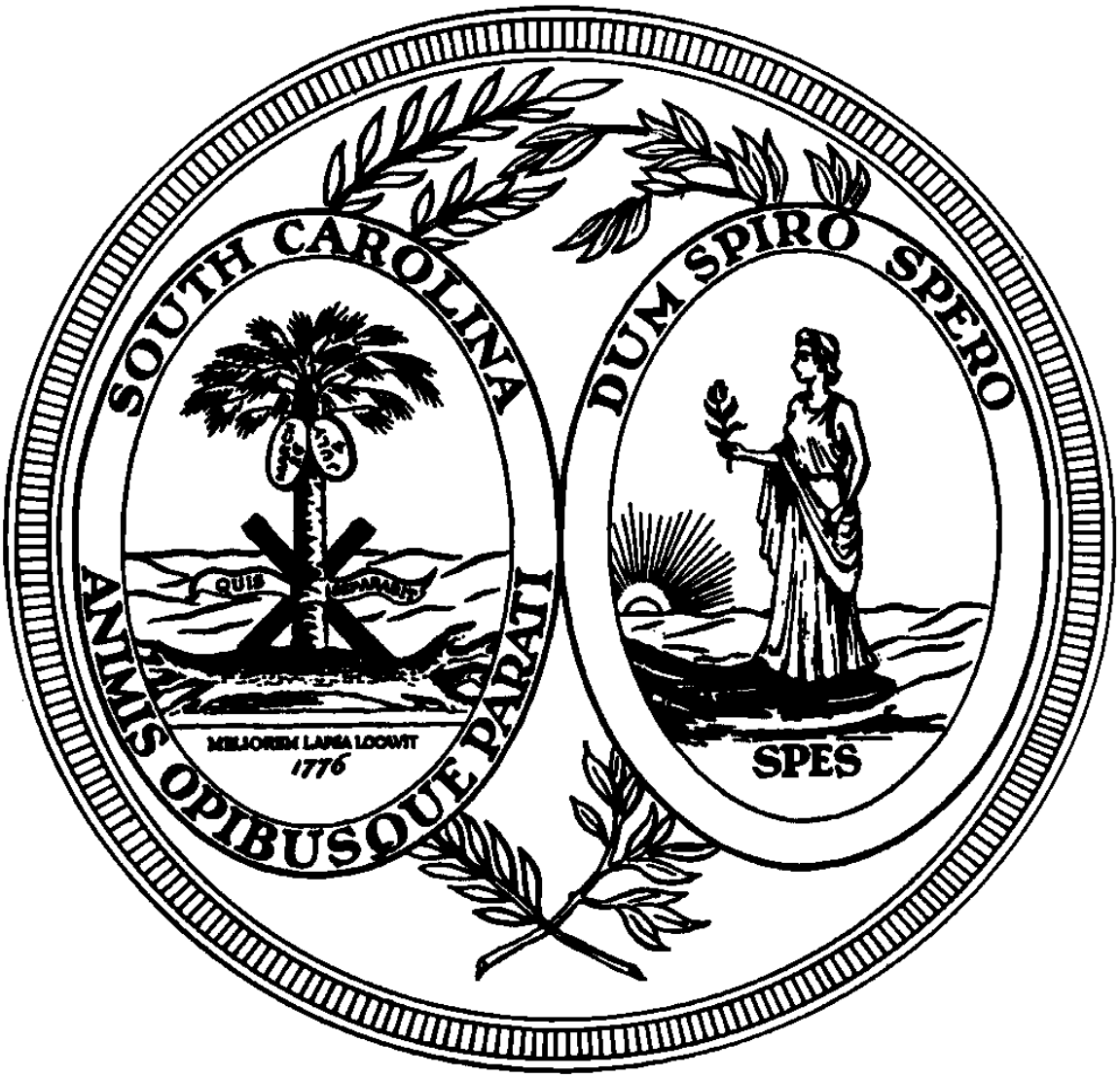
	For the Fiscal Year			
	2014[a]	2013[a]	2012	2011
General government				
Buildings and facilities	49	46	33	33
State armories	59	66	63	63
Fleet vehicles	3,093	2,991	3,092	2,957
Motor vehicle district offices	66	67	67	68
Education				
School buses	5,640	5,705	5,630	5,636
Television transmitters	11	11	11	11
Vocational training/client centers	35	35	35	35
Health and environment				
Mental health buildings	149	148	149	150
Community mental health centers	64	51	48	48
Regional special needs centers	5	5	5	5
Social services				
Buildings and facilities	69	65	66	66
Administration of justice				
Adult correctional institutions	25	26	27	28
Juvenile correctional facilities	7	7	7	7
Highway patrol district offices	6	6	6	6
Highway patrol vehicles	1,351	1,050	1,054	1,060
Resources and economic development				
Acres of State parks	86,445	86,370	84,604	83,118
Acres of State forests	94,245	94,215	94,215	94,215
State parks and historical sites	53	53	53	53
State farmers' markets	3	3	3	3
Vehicles and boats	1,292	1,081	1,223	841
Transportation				
Miles of State highways	66,244	66,244	66,126	66,008
Weigh stations	8	8	8	8
Traffic cameras	360	360	360	350
Miles of cable median barriers	480	480	480	480
Higher education				
Number of campuses	n/a	n/a	33	33
Buildings-universities	n/a	n/a	852	857
Buildings-technical colleges	n/a	n/a	310	308
Buildings-student residences	n/a	n/a	319	297
State maritime museum				
Vintage aircraft	n/a	n/a	4	4
Historical period exhibits	n/a	n/a	15	15
Other				
Rail yards	3	3	3	3
State-owned locomotives	10	10	10	10

[a] Beginning with fiscal year 2012-2013, Higher education institutions and Patriots Point Development Authority are not part of the primary government.

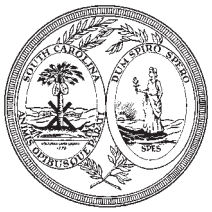
Source: South Carolina Comptroller General's Office

Table 20

Ended June 30					
2010	**2009**	**2008**	**2007**	**2006**	**2005**
32	32	32	33	33	33
63	65	63	62	65	65
3,316	3,599	3,831	3,515	2,687	2,357
69	69	69	69	69	69
5,677	6,117	6,420	6,274	5,788	6,453
11	11	11	11	11	11
35	35	35	35	35	35
151	150	154	137	111	111
47	49	47	59	60	60
5	5	5	5	5	5
66	66	66	66	66	66
28	28	28	28	29	29
7	7	7	7	7	7
7	7	7	7	7	7
1,162	1,162	1,237	1,004	1,055	1,222
83,118	82,813	81,824	81,807	81,168	81,168
92,552	92,552	91,466	91,466	91,600	91,600
53	53	53	53	53	53
3	3	3	3	3	3
1,121	1,203	1,280	1,026	1,538	1,575
66,262	66,256	66,248	66,242	66,240	66,252
9	9	9	9	9	9
350	320	300	300	250	179
476	476	476	470	470	442
33	33	33	33	33	33
833	792	773	787	810	815
303	302	297	286	277	282
300	327	388	373	340	335
4	4	4	4	4	4
15	15	15	15	15	3
3	3	3	3	3	3
10	10	10	13	13	13



Section 1-11-425 of the South Carolina Code of Laws requires inclusion of the following information:
Total printing cost was $301.00; 100 copies were printed at a cost of $3.03 each.



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